
STRATEGIC AND SHAREHOLDERS' AGREEMENT

by and among

THE STATE OF MONTENEGRO,

TERNA - RETE ELETTRICA NAZIONALE S.P.A.

and

CRNOGORSKI ELEKTROPRENOSNI SISTEM A.D.

January 25, 2011

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STRATEGIC AND SHAREHOLDERS' AGREEMENT

This **STRATEGIC AND SHAREHOLDERS' AGREEMENT** (this "Agreement") is entered into as of January 25, 2011 by and among the State of Montenegro, represented by the Government of Montenegro- being herein represented by Mr. Vladimir Kavarić, Minister of economy, in accordance with the Government resolution number 03-179/2 dated January 21, 2010, (the "Principal Shareholder" or "Montenegro"), Terna Rete Elettrica Nazionale S.p.A., a joint stock company organized and existing under the laws of Italy, having its registered office in 00156 Rome, at Viale Egidio Galbani 70, Italy, registered at no. 05779661007 on the register of enterprises of Rome, represented by Mr. Fabio Todeschini in his capacity as attorney-in-fact by virtue of Power of Attorney notarized by Luca Troili as Public Notary in Rome, on October 7, 2010, Rep. 15543 Racc. 7537, certified through apostille issued by the competent Italian Court on October 11, 2010, n. 3368/2 ("Terna" and together with the Principal Shareholder, the "Shareholders") and Crnogorski Elektroprenosni Sistem AD, Podgorica, a joint stock company organized and existing under the laws of Montenegro, having its registered office in 81000 Podgorica, at Bulevar Svetog Petra Cetinjskog 18, Montenegro, registered with the Central Registry of the Commercial Court in Podgorica under the registration no. 4-0008972/001, represented by Mr. Zoran Đukanović in his capacity of Chairman, as evidenced and authorized by the board of directors' resolution dated October 8, 2010 (the "Company"). Each of the Shareholders and the Company is referred to herein as a "Party," or, collectively, as the "Parties". Unless otherwise indicated herein, capitalized terms used herein shall have the meanings ascribed to them in Annex A attached hereto.

RECITALS

WHEREAS, on February 6, 2010, the Republic of Italy and the State of Montenegro entered into a intergovernmental agreement (the "Intergovernmental Agreement") stating their institutional support and agreement over the construction and operation of the New Interconnection System and the implementation of the Strategic Partnership;

WHEREAS, pursuant to the Intergovernmental Agreement, *inter alia*, Terna shall be responsible for the construction of the New Interconnection, which shall be owned by Terna and form an integral part of the Italian transmission network (as public infrastructure), and the Company shall be responsible for the construction of the Associated Network Infrastructures, which shall be owned by the Company and form an integral part of the Montenegrin transmission network (as public infrastructure).

WHEREAS, pursuant to the Intergovernmental Agreement, the State of Montenegro and the Republic of Italy also agreed that the transmission capacity made available by the New Interconnection System and the relevant congestion revenues should be split as follows: 80% to the Italian power system and 20% to the Montenegrin power system;

[OMISSIS]

WHEREAS, pursuant to that certain Agreement on Sale and Purchase through Subscription of Newly Issued Shares in Capital Increase (the "Sale and Purchase Agreement"), dated as of November 23, 2010, by and among the Principal Shareholder, Terna and the Company, Terna on the date hereof has acquired approximately 22% of the outstanding capital stock of Company (on a fully-diluted basis) through the subscription of a capital increase reserved to Terna;

WHEREAS, pursuant to the Sale and Purchase Agreement, on January 12, 2011, the

Shareholders' meeting of the Company adopted the By-laws incorporating certain provisions contained in the Agreement, and such By-laws became effective on the date hereof;

WHEREAS, upon the closing of the transactions contemplated in the Sale and Purchase Agreement, the Shareholders own the number of ordinary shares of the Company's capital stock set forth opposite each of their names in Annex B attached hereto;

WHEREAS, the Parties acknowledge and agree that the investment by Terna pursuant to the Sale and Purchase Agreement and in the New Interconnection and the investments of the Company in the Associated Network Infrastructures are made with the goal and for the purpose of implementing the Strategic Partnership, completing the construction of the New Interconnection System and making the Montenegrin transmission grid the platform of electricity connection between Italy and South-Eastern Europe; the Parties further acknowledge and agree that Terna is fully relying on the fact that the Associated Network Infrastructures and at least one of the Additional Network Infrastructures will be completed within the deadlines agreed by the Parties and indicated in the Plan of Development and subject to the terms of the Project Coordination Agreement, respectively, and that the Company is fully relying on the fact that the New Interconnection will be completed within the deadlines agreed by the Parties;

WHEREAS, the Company, in order to accomplish the goals and purposes set forth in the preceding recital, has prepared, and adopted, the Plan of Development and Initial Business Plan for the development of the business of the Company over the next five years; and

WHEREAS, in furtherance of the Strategic Partnership, the Parties desire to promote their mutual interests by agreeing to certain matters relating to the management of the Company (and potentially its material subsidiaries) and the voting and disposition of the Shares.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I.

VOTING AND OTHER ACTIONS TO IMPLEMENT THE AGREEMENT

SECTION 1.1. Actions to be Taken in Accordance with the Agreement.

Each Shareholder in its respective role hereby agrees to (1) cause the election of the persons nominated or designated by each of the Shareholder pursuant to this Agreement to their respective offices and functions; (2) cause its respective nominees to the Board and/or other office or function nominated by it to act at all times and cast their votes in order that the provisions of this Agreement shall be carried out and complied with, and that the business and affairs of the Company are conducted according to this Agreement; and (3) vote its Shares at any Shareholders' meetings to achieve the results stated in points (1) and (2) above and in a manner to give effect to, and comply with, the provisions of this Agreement, including (i) in connection with any action required to be taken by the Shareholders under Montenegrin law, voting their Shares in accordance with the Board's decision (made in accordance with the terms of this Agreement) regarding such matter, (ii) voting their Shares for the appointment and the removal, as applicable, of the Directors and other officers and nominees designated by each of the Principal Shareholder and Terna in accordance with the terms of this Agreement, and (iii) not authorizing the taking of any Reserved Matter by the Company, unless the Shareholders or Board (as the case may be) have previously approved such action in accordance with the terms of this Agreement. Each Party shall

take all other actions reasonably within their respective control (including calling Board and shareholders meetings), so that the provisions of this Agreement are implemented and complied with.

SECTION 1.2. Actions to be Taken In Accordance with the Strategic Partnership and the Entire Project Coordination Agreements.

Each Shareholder in its respective role hereby agrees to use its reasonable best efforts, including by voting its respective Shares and/or causing its representatives on the Board or other officers or nominees of the Company, to cause the Company (1) to take all actions reasonably necessary for the completion within the agreed deadlines of the Associated Network Infrastructures, at least one of the Additional Network Infrastructures and all other transmission infrastructures and operational activities set forth in the Plan of Development, and (2) to comply with the terms and conditions of the Entire Project Coordination Agreements.

ARTICLE II.

GOVERNANCE AND MANAGEMENT.

SECTION 2.1. Board of Directors and Committees.

(a) The Company shall be managed by a Board of Directors composed of seven Directors. Notwithstanding anything to the contrary contained in the By-laws, subject to paragraph (b) below the Parties agree, and the Principal Shareholder shall procure, that two of said Directors shall be appointed upon designation by Terna (each, a “Terna Director”) and, so long as the Principal Shareholder holds at least 51 % of the share capital and voting rights of the Company, at least four Directors shall be appointed upon designation by the Principal Shareholder (each, a “Principal Shareholder Director”). Each Director shall serve for a term of one year, or such other period, until the following annual shareholders’ meeting, as provided under Montenegrin law, unless the Director is removed or resigns prior to the expiry of that period. Directors may be reappointed.

(b) Notwithstanding anything to the contrary in this Agreement, and without prejudice to (i) the rights Terna may have under applicable law and the By-Laws to appoint certain Directors based on the percentage of share capital and voting rights it holds, or (ii) the provisions of Section 2.6, the right of Terna to designate two Directors in accordance with paragraph (a) above and the right of Terna to designate representatives on committees in accordance with paragraph (f) below shall terminate on the earlier of: (I) the fifth anniversary of the New System Effective Date; (II) the date when Terna (together with its Affiliates) ceases to hold at least 15% of the share capital and voting rights of the Company, provided, however, that during the period up to the New System Effective Date this provision shall apply only if Terna ceases to hold at least 15% of the share capital and voting rights of the Company only as a consequence of one or more transfers or assignments of Shares made by Terna (thus excluding any reduction or dilution of Terna’s shareholding in the share capital and voting rights of the Company as a consequence of any capital increase, merger, de-merger or other corporate reorganizations or restructuring), and provided further, that transfers or assignments by Terna to Permitted Transferees pursuant to Section 4.3 shall not be deemed and considered transfers or assignments for the purposes of this point (II), (III) 30 months after the effective termination by the Company of the Project Coordination Agreement pursuant to Sections 5.2(a)(i)-(v) or Section 5.3(a)(iii) of the Project Coordination Agreement, and (IV) December 31, 2021, in the event, and only in the event, that the actual commissioning of all the Associated Network Infrastructures (as commissioning is specified in the Project Coordination Agreement) has occurred on or before December 31, 2018 (each of (II), (III) and (IV) hereinafter referred to as “Special Rights Expiry Date”).

(c) On or immediately before the Special Rights Expiry Date or the fifth anniversary of the New System Effective Date, Terna shall procure that all members of the Board designated by it in excess

of the number of directors which Terna would have been entitled under applicable law and the By-Laws to appoint at the last Shareholders' meeting on which members of the Board were appointed solely based on the percentage of its share capital and voting rights and the percentage of share capital and voting right which were in attendance and represented at such Shareholders' meeting that resolved on the appointment of the members of the Board, and not based on this Agreement, immediately resign from office and shall procure that its representatives on the committees and, upon request by the Principal Shareholder, use its best efforts to procure that the Managers, resign from their position and the Parties, to the extent of their respective powers, undertake to exercise all voting rights and legal powers of control then available to them as shareholders of the Company (if and to the extent such powers still belong to them) to procure that an extraordinary shareholders meeting is called and held to approve the new by-laws of the Company which shall not contain and reflect the provisions of this Section 2.1 and Section 2.3(d) of this Agreement. For the avoidance of doubt, the Parties agree that starting from the first subsequent shareholders' meeting after the Special Rights Expiry Date or the fifth anniversary of the New System Effective Date, Montenegro will not have any obligation hereunder to procure the appointment of any Terna Directors, without prejudice to the rights Terna may have under applicable law and the By-Laws to appoint certain Directors based on the percentage of share capital and voting rights it holds.

(d) The Directors shall be entitled to receive the lump sum fee that the General Meeting may establish in relation to their office from time to time. Such lump-sum fee shall be inclusive of all travel and other out-of-pocket expenses incurred by any Director in order to attend Board meetings or carry out specific tasks and Directors shall not be entitled to compensation for such expenses.

(e) The Shareholders acknowledge that under Montenegrin law the Minority Shareholders may have the right to appoint one Director to the Board as long as they have certain percentage of the share capital and voting rights of the Company. The Shareholders shall not use any of their voting rights to appoint or facilitate the appointment of any Director designated by the Minority Shareholders, without the prior written consent of the other Shareholder.

(f) The Parties agree that should any committee of the Company be formed by the Board or the Shareholders' meeting, Terna shall have the right to appoint at least one person as effective member of any such committee, provided that Terna shall use its reasonable effort to select a person who satisfies professional and other requirements for such membership as may be necessary or useful depending on the roles and tasks of the relevant committee. Each Shareholder shall, and shall procure that each Director designated by it, vote at the relevant meeting of the Board in favor of the appointment of the person designated by Terna as member of the relevant committee.

(g) In the event of a vacancy on the Board, regardless of how caused, the Shareholder that designated the Director whose position is vacant shall have the right to designate the Director to replace the terminated Director, in accordance with the provisions of this Agreement.

(h) Any Director may be removed at any time, with or without cause, only upon the request of the Shareholder that has designated such Director. The Shareholder requiring the removal of the Director shall notify the other Shareholder in writing. Upon receipt of such notice, the Shareholders shall procure the call for a meeting of the Board and/or of the shareholders, for the purpose of removing of the Director and appointment the new Board of Directors, as applicable under Montenegrin law, to be held as soon as practicable, to effect such removal, and the Shareholders shall exercise their rights as shareholders and use their reasonable best efforts to procure such removal, it being understood that the Shareholder requiring the removal of the Director shall be responsible for and agrees to indemnify and hold harmless the other Shareholder and the Company against all losses, damages, liabilities, costs and expenses (including legal and attorneys' fees and other expenses) which the other Shareholder or the Company may incur arising out of, or in connection with, any claim by such removed Director for

wrongful or unfair dismissal or redundancy or other compensation arising out of such Director's removal or loss of office.

(i) If the appointment or removal of a Director (including under paragraphs (f), (g) and (h) above) requires the passing of a resolution or any other actions or corporate steps or formalities, the Principal Shareholder and Terna shall vote (and/or procure their respective designees to the Board to vote) in the relevant Board and/or shareholders' meeting for the appointment or removal, as the case may be, of the Director as proposed by the Shareholder proposing or requiring such appointment or removal, and shall fully comply with and carry out as soon as practicable any and all actions and corporate steps or formalities (including the call of a Board and/or shareholders' meeting), as may be required to effect the appointment or removal of such Director or the appointment of a new Board of Directors, as proposed by the Shareholder requesting such appointment or removal, all in accordance with the terms and conditions of this Agreement and applicable law.

SECTION 2.2. Meetings of the Board.

(a) Generally. The Board will meet at least quarterly to discuss generally the business of the Company and may meet more frequently with respect to any matter within its competence, including any Reserved Matter. Meetings of the Board may be called by the Chairman (or the Deputy Chairman, in the event of Chairman's absence, unavailability or incapacity to serve or if he/she fails to act when he/she has an obligation to act under this Agreement or the By-laws) in cases allowed by Montenegrin law and also upon written request by Terna or a Terna Director. When a meeting of the Board is requested by Terna or a Terna Director, upon receipt of such request, the Chairman (or the Deputy Chairman if the Chairman is absent, prevented from acting or fails to act when he/she has an obligation to act under this Agreement or the By-laws), shall have the obligation to promptly (and in any event within three Business Days following the receipt of the request) call such meeting having on the agenda the items indicated by the relevant Shareholder or Terna Director (as the case may be). The person calling any meeting will cause notice to be given of such meeting, specifying therein the agenda, time, date (which, in the case of a meeting called upon the request of a Shareholder or a Terna Director, shall not be later than 10 Business Days after the date of the call notice) and place of such meeting, to each of the Directors at least five Business Days before such meeting, provided however, that shorter notice of the meeting may be provided with the consent of the Terna Directors in the case of an emergency. The business to be transacted at any meeting of the Board will be specified in details in such notice. Each notice of meeting shall be (i) in Montenegrin and English, (ii) accompanied by any relevant papers to be provided also translated in English (unless differently agreed among the Parties), (iii) be sent by courier or facsimile transmission; and (iv) be copied to each recipient by e-mail. Furthermore, reasonable best efforts shall be made by the Principal Shareholder to schedule and agree in advance with Terna the date on which the Board meetings shall be held, in order to allow and facilitate the participation of the Terna Directors at such meetings.

(b) Place and Language. All meetings of the Board will be held at the Company's principal offices in 81000 Podgorica, at Bulevar Svetog Petra Cetinjskog 18, Montenegro or at such other place or places in Montenegro as may be jointly determined from time to time by the Principal Shareholder Directors and the Terna Directors. Board meetings shall be conducted in Montenegrin provided that the minutes shall be in Montenegrin and accompanied by an accurate English translation. The Company shall also procure that an official Italian interpreter attends the meeting to translate and facilitate the carrying out of the meeting (except when the meeting is held in accordance with paragraph (e) below) if a Terna Director is present at the meeting.

(c) Order of Business. The Board adopts such rules and procedures relating to its activities as it may deem appropriate, provided that such rules and procedures are not directly or indirectly

inconsistent with or do not violate the provisions of this Agreement. Board meetings shall be chaired by the Chairman and, in his/her absence, by the Deputy Chairman. In the absence of the Chairman and the Deputy Chairman the Directors present at that meeting shall appoint any one of them to act as chairman for that meeting. The secretary of the meeting shall prepare minutes of the meeting and place a copy thereof in the minute books of the Company. A copy of the minutes of the meeting (with the English translation) will be delivered as soon as reasonably possible to each Director and within the deadline prescribed by the rules and procedures.

(d) Actions Without a Meeting. To the extent permitted under Montenegrin law any action required or permitted to be taken at a meeting of the Board may be taken without holding a meeting, if a unanimous consent in writing, setting forth in details the action so taken, is signed by all of the Directors in office. Any such consent will have the same force and effect, as of the date stated therein, as a vote of the Directors and shall be in Montenegrin and will be translated into English. The signed consent will be placed in the minute books of the Company.

(e) Telephone and Similar Meetings. The Directors may participate in and hold meetings (and count toward the quorum and be entitled to vote) by means of conference telephone, videoconference or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time, speak to each other and exchange written documents. Such participation in any such meeting will constitute presence in person at such meeting.

(f) Quorum to Validly Hold a Meeting. Without prejudice to the provisions and majorities set forth in paragraph (g) below, Section 2.6, or otherwise in the Agreement, at all meetings of the Board, the presence (in person or as indicated under paragraph (e) above) at the meeting of the majority of the Directors then in office will constitute a quorum for the transaction of business, except with respect to any Reserved Matter, in which case a Terna Director must always be present in order for a meeting to validly resolve on such Reserved Matter.

(g) Voting Majority Required to Validly Pass a Board Resolution. Resolutions of the Board with respect to any matter shall only be passed and adopted if a quorum is present and: (1) with respect to any Reserved Matter, at least 6 Directors vote in favor of such resolution (provided, however, that there is the affirmative vote of at least one of Terna Directors); or (2) with respect of any other matter, with the affirmative vote of the majority of the Directors in office.

SECTION 2.3. Chairman and Deputy Chairman of the Board, Executive Director and Managers.

(a) Chairman. The Chairman of the Board shall be designated by the Principal Shareholder from among one of the Principal Shareholder Directors. The Chairman will have the responsibility to (i) coordinate the Board's activities; (ii) convene and chair meetings of the Board; (iii) within its competence as a member of the Board under Montenegrin law, supervise the management of the Company; (iv) represent the company within its competence, in accordance with, and subject to the limits set forth under, Montenegrin law and the By-laws and this Agreement; (v) coordinate and monitor the implementation of the decision of the Board; (vi) serve as a public spokesman for the Company; and (vii) perform the other functions in

accordance with, and subject to the limits set forth under, Montenegrin laws, the By-laws and this Agreement.

(b) Deputy Chairman.

- (i) The Deputy Chairman of the Board shall be designated by Terna from among one of the Terna Directors.
- (ii) The Deputy Chairman (1) shall have the oversight, and have direct line of communication with, the Manager(s) and their areas of business and activities (*i.e.*, grid development and planning, regulatory and international activities, financial issues and planning), it being understood that the above shall not in any way limit or negatively affect the competences, authority, directing powers and responsibilities of the Board of Directors and the Executive Director under Montenegrin Law and the By-Laws, (2) shall be consulted by the Managers on a regular basis and, in particular, when relevant matters relating to the above areas of business and activities arise, are discussed or decided, and (3) shall substitute the Chairman (in the ordinary corporate and administrative functions and activities) in the event of his/her absence, unavailability or incapacity to serve, and shall perform such other functions provided under Montenegrin law, the By-laws and the Agreement.

(c) Executive Director. The executive director of the Company (the “Executive Director”) shall be responsible, with the other officers, for the implementation of the decisions of the Board and shall perform other functions and activities in accordance with, and subject to the limitations contained in, Montenegrin laws, the By-laws, this Agreement and the guidelines set forth from time to time by the Board. The Executive Director shall be selected and designated by the Principal Shareholder after consultation with Terna, it being understood that notwithstanding the above consultation, the Principal Shareholder shall have full discretion in making the final decision as to his/her designation. The mandate of the Executive Director is for four years and the Executive Director may be re-appointed.

(d) Managers.

- (i) Until the earlier of: (1) the Special Rights Expiry Date, (2) the New System Effective Date and (3) December 31, 2018, Terna, after consultation with the Principal Shareholder and also considering the profile of persons for the following positions, shall be entitled to select and designate up to the total of three officers and managers among whom the responsibilities for the following areas and activities of the Company shall be allocated and distributed: (a) grid development and planning, (b) regulatory issues and international activities; and (c) financial issues and planning, as such areas and activities are better described in Annex 2.3(d) (each such officer or manager, a “Manager” and collectively, the “Managers”). Without prejudice to the powers of the Deputy Chairman set forth in clause (ii) below, the Manager responsible for financial issues and planning shall report to, be subject to the supervision only of, and have a direct line of communication with, the Executive Director, and the

Company's organizational structure and documents shall be amended in order to reflect this provision, it being understood that also the other two Managers shall remain subject to the supervision and directive power of the Executive Director.

- (ii) In considering candidates for Manager positions, Terna may evaluate and select current employees of the Company or other persons, including employees of Terna to be seconded at the Company at the expense of the Company on terms and conditions to be agreed in good faith between the Company and Terna, provided that the amount to be paid by the Company for each such Manager shall not exceed the amount payable to the officers and managers of the Company having the same level and same seniority of the relevant Manager. Terna may select one or more persons to manage one or more of the three aforementioned areas and activities, provided that the total number of Managers to be thus selected by Terna shall not exceed three. It is understood that notwithstanding all the above, and without prejudice to the provisions of paragraph (f) below, Terna shall have full discretion to make the final decision concerning the appointment and removal of the Managers (including as to whether one or more should be appointed, but not more than three). The Parties agree that each Manager shall be subject to the oversight of, and have direct line of communication with, the Deputy Chairman and shall consult on a regular basis with the Deputy Chairman, in particular when any relevant matter relating to the areas and activities indicated in Annex 2.3(d) arises, is discussed or decided, it being understood that this shall not in any way limit or negatively affect the competences, authority, directing powers and responsibilities of the Board of Directors and the Executive Director under the Montenegrin Law and the By-Laws, provided, however, that the right to appoint and/or replace the Managers shall belong exclusively to Terna (including following the removal made pursuant to paragraph (f) below).

(e) Initial Designations. The Parties agree that the initial Chairman, Deputy Chairman and Executive Director of the Company shall be Zoran Đukanović, Fabio Todeschini and Dragan Laketić, respectively. The Parties also agree that the initial Managers shall be Domenico Iorio, Valerio Mastragostino and Angelo Ferrante, respectively and that they shall be responsible for the areas and activities as indicated in Annex 2.3(d). In the event of termination of the Chairman, Deputy Chairman, Executive Director or any of the Managers for whatever reason, the new person(s) to be designated and appointed to hold such office and/or position shall be designated by the Shareholder(s) that designated the person whose office and/or position is vacant, all in accordance with the provisions of this Section 2.3.

(f) Special Removal Right. The Parties agree that in the event of objective underperformance by one or more of the Managers, the Principal Shareholder shall be entitled, one time and one time only during the effectiveness of this Agreement, to request the removal of one of the underperforming Managers by written notice to Terna and the Parties shall carry out as soon as practicable thereafter any and all actions, corporate steps or formalities as may be required to effect the removal of such Manager and Terna undertakes to procure its Directors to vote in favor of such removal, provided, however, that the right to appoint the new Manager in substitution of the Manager removed shall belong exclusively to Terna.

(g) Required Actions. If the appointment or removal of the Chairman, Deputy Chairman, Executive Director or any of the Managers (and the granting of the relevant powers) as provided under Section 2.3 requires the passing of a resolution or any other actions or corporate steps or formalities, the Principal Shareholder and Terna shall fully comply with and carry out as soon as practicable any and all actions, corporate steps or formalities (including agreeing to vote and/or causing their respective nominees to the Board or other positions to vote or act), as may be required to effect the appointment or removal of the person holding such office and/or position, as proposed by the Shareholder proposing such appointment or removal, all in accordance with the terms and conditions of Section 2.3 and this Agreement.

SECTION 2.4. Auditor. The Parties acknowledge that the engagement to the current auditor of the Company (KPMG d.o.o.) will expire on the date of approval of the financial statements of the Company as at December 31, 2010. The Parties mutually agree that the auditor of the company shall be selected among the auditing firms with international reputation and primary standing, including those listed in Annex 2.4, and shall procure that the new appointment is made in compliance with Montenegrin law. The engagement of the auditor of the Company shall be for a period of one year.

SECTION 2.5. Meetings of the Shareholders.

(a) Generally. The annual Shareholders' meeting shall occur once a year. The Board shall ensure that the annual Shareholders' meeting is convened no later than three months after the end of each fiscal year and held in a reasonable timeframe thereafter. The Shareholders' meeting (annual or extraordinary) shall transact such business and decide on the matters as may be brought before it in accordance with Montenegrin law, the By-laws and this Agreement. The Shareholders' meetings shall be convened in accordance with the applicable provisions of Montenegrin law and of the By-laws, it being understood that upon written request by Terna, the Principal Shareholder shall cause (including by procuring that the Board calls the shareholders' meeting) that the Shareholders' meeting is promptly convened with an agenda that shall include the items indicated by Terna in its written request. The agenda of any meeting of the shareholders will be specified in details in the notice of the meeting. At Terna's cost, each notice of meeting and draft resolution to be adopted and other material delivered to shareholders for the purpose of the meeting shall be delivered to Terna also accompanied with an English translation, unless differently notified by Terna. The secretary of the meeting shall ensure the preparation of the minutes of the meeting and take care of its registration and place a copy thereof in the minute books of the Company.

(b) Place and Language. All meetings of the shareholders will be held at the Company's principal offices in Podgorica or at such other place or places in Montenegro as may be jointly determined from time to time by the Shareholders. Shareholders' meetings shall be conducted in Montenegrin and the minutes shall be in Montenegrin. At Terna's cost, a copy of the minutes of the meeting with the accurate English translation will be delivered as soon as reasonably possible to Terna, unless differently notified by Terna. At Terna's request and cost, the Company shall also ensure that an official Italian interpreter attends the meeting to translate and facilitate the conduct of the meeting.

(c) Quorum to Validly Hold a Meeting. Without prejudice to the provisions and majorities set forth in paragraph (d) below, Section 2.6, or otherwise in the Agreement, at all Shareholders' meetings, majority of all voting shares of the Company will constitute a quorum for the decision-making, unless other majority is set forth under the applicable provisions of Montenegrin law, the By-laws or this Agreement.

(d) Voting Majority Required to Validly Pass a Shareholders' Resolution. Notwithstanding anything to the contrary in this Agreement or in the By-laws, resolutions of the

shareholders with respect to any matter shall only be passed and adopted if: (1) with respect to, directly or indirectly, any Reserved Matter, at least 77% of the outstanding share capital and voting rights of the Company vote in favor of such resolution, provided, however, that there is the affirmative vote of Terna; and (2) with respect to any other matter, with the affirmative vote of the majority of all voting shares of the Company present or represented at the Shareholders' Meeting, or such other majority as set forth under the applicable provisions of Montenegrin law or the By-laws.

(e) Other Voting Majority Required to Validly Pass a Shareholders' Resolution upon Certain Events. The Shareholders agree that if, as a consequence of any transfer of the shares or otherwise, they cease to hold and possess in the aggregate the full ownership and rights to vote with respect to at least 77% of the outstanding share capital of the Company, if necessary they shall cast their votes to amend the By-laws in the manner that would enable them to pass and adopt any Reserved Matter with the percentage of the share capital then owned and held in aggregate by them, provided, however, that, also pursuant to the revised By-laws, such percentage shall ensure that the affirmative vote of Terna shall always be required to validly pass and adopt any such resolution.

SECTION 2.6. Reserved Matters. The Shareholders acknowledge and agree that the investment by Terna pursuant to the Sale and Purchase Agreement and its decision to pursue the Strategic Partnership and the New Interconnection System have been made relying on Terna being granted certain rights aimed at protecting its investments in the Company and over the New Interconnection System and, if applicable, the Additional Network Infrastructures, while providing Terna with partial control of the Company's activities and management and that, therefore, the provisions set forth in this Section 2.6 and in Article VI and their enforceability is of essential importance and have determined the above investment and decision by Terna.

(a) The Shareholders acknowledge and agree that the following matters involving or relating to the Company, shall be deemed "Reserved Matters" (each, a "Reserved Matter"):

1. any changes to the By-laws or other organizational documents of the Company that may affect the rights of Terna under the By-laws or this Agreement other than changes expressly foreseen in Sections 2.1(c) and 2.5 (e) and changes required to reflect expiration of Reserved Matters set forth in point (5) to (20), inclusive, pursuant to Section 2.6(b)(i) and changes required to reflect termination of all Reserved Matters pursuant to section 2.6(b)(ii), upon actual and final expiration or termination of such Reserved Matters pursuant to this Agreement;
2. the transfer of all, or substantially all, of the assets of the Company.
3. any transaction, including any mergers, de-mergers, reorganizations or restructuring , that could result in a dilution or increase of Terna's shareholding in the Company (including, for the avoidance of doubt, a capital increase or reduction of any nature), provided that, after the fifth anniversary of the New System Effective Date, any capital increase (i) that provides for pro-rata pre-emptive rights to all shareholders or (ii) to be resolved and implemented by means of a closed offer of shares to third parties immediately subsequent to the failure by Terna to subscribe its pro-rata portion of shares under a capital increase implemented pursuant to item (i) above for a number of shares equal to the shares that have not been subscribed to by Terna pursuant to its pre-emptive rights in the context of the

capital increase under item (i) above and on the same terms and conditions of such capital increase, shall not be considered Reserved Matters;

4. delisting of the Shares from any stock exchange;
5. approval of the Business Plan of the Company and of any material amendments thereto;
6. approval of the annual budget of the Company and of any material amendments thereto;
7. approval of construction plans (and any material changes thereto) concerning the Associated Network Infrastructures or the Additional Network Infrastructures, including, but not limited to, any provisions of such plans for the supplying of relevant material;
8. approval of the Plan of Development and any material amendments thereto;
9. the incurrence of any kind of financial debt (including granting any bonds or guarantees for the benefit of third parties) by the Company in any amount that is individually per transaction or in aggregate in any calendar year, greater than € 250,000 (two-hundred fifty thousand) (unless specifically contemplated for such year by the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement with respect to such year), or any creation, assumption or incurrence of any Encumbrance on any asset of the Company, securing or providing payment for an amount that is, individually per transaction, or in aggregate in any calendar year, greater than € 150,000 (one-hundred fifty thousand) (unless specifically contemplated for such year by the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement);
10. approval of any distribution of dividends, reserves or assets of the Company to shareholders or of the dividend policy of the Company, or any redemption or repurchase of equity securities of the Company, except as the repurchase of the shares expressly foreseen in the Sale and Purchase Agreement as a consequence of the exercise of the withdrawal rights by the minority shareholders of the Company in the context, or as a consequence, of the decisions set forth in Section 3.1.1 of such agreement in accordance with Section 3.2(a);
11. any acquisitions or disposals (or agreement to do any of the foregoing) (for cash or otherwise, including by granting a security interest, and including any lease or similar arrangements): (i) of property or other assets (including real estate), equipments or other goods that, individually per transaction or in aggregate in any calendar year, have a value of more than € 250,000 (two-hundred fifty thousand) (unless specifically contemplated for such year by the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement); or (ii) of any shares or other equity interest in any person or business (or assets constituting a business) (unless specifically contemplated for such year by the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement);

12. entry by the Company into (or the amendment or termination of) any joint venture, partnership, consortium or similar arrangement which may require or involve cost, investments, contributions by the Company in excess of € 500,000 (five-hundred thousand), unless specifically contemplated for such year by the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement;
13. approval of any transaction with, or the entry into any agreements or arrangements (or their termination or amendment) involving, Related Parties which (i) exceed, individually per transaction or in the aggregate in any calendar year, a value of € 250,000 (two-hundred fifty thousand), (ii) provides for the granting of any loan or other financing, (iii) is not at arm's length or at market conditions, or (iv) relates to dispatching services (including relating to ancillary services, grid losses remuneration) (in each case, unless specifically contemplated for such year by the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement);
14. settlement of any proceeding or claim involving payments or receipt by the Company, or, however, involving an underlying value, of more than an aggregate amount of € 100,000 (one-hundred thousand) in any calendar year, in addition to amounts specifically contemplated in the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement;
15. early liquidation or dissolution of the Company;
16. any derivatives contract or arrangement;
17. entry into any new business (or line of business) (through the establishment of subsidiaries or otherwise) if that, individually per transaction or in aggregate in any calendar year, involves or requires (i) expenditures, costs and/or liabilities by the Company, (ii) associated revenues, or (iii) a value of more than € 500,000 (five-hundred thousand) (unless specifically contemplated by the Business Plan or the annual budget of the Company for the relevant year that has been previously approved by the Board in accordance with the terms of this Agreement);
18. establishment of subsidiaries, except when entering into any new business (or line of business) that falls below the thresholds indicated in point 17 above;
19. any decision concerning which Additional Network Infrastructures to pursue (Serbia and/or Bosnia-Herzegovina) and their scheme of implementation and, in particular, whether such infrastructures shall be "public" or "private";
20. the delegation of powers to any Director, executive director, officer, manager, employee or attorney-in-fact or the entry into a contract with respect to any of the foregoing, if such delegation involves any of the foregoing Reserved Matters.

For the avoidance of doubt, the Shareholders acknowledge and agree that with respect to the matters indicated in points 5 through 8 above (all included) any amendment or change (i) (1) with respect to points 5 and 6, involving any increase, decrease or deviation of any single item, parameter, goal, action or entry by more than 10% than the relevant figure set forth in the Business Plan or annual budget or, however, involving in the aggregate in any calendar year a value and/or an inherent cost in

excess of € 1,500,000 (one million and five-hundred thousand), or (2) with respect to points 7 and 8, involving any increase, decrease or deviation of any single item, parameter, goal, action or entry by more than 10% than the relevant figure set forth in the construction plan or Plan of Development or, however, involving in the aggregate in any calendar year a value and/or an inherent cost in excess of € 2,000,000 (two million) (ii) relating the scheduled completion dates of the Associated Network Infrastructures (or significant milestones) and/or the Additional Network Infrastructures (or significant milestones) or that may cause a delay in the completion of the same, or (iii) relating to the entity(es) in charge of carrying out and performing major construction, procurement and/or engineering works with respect to Associated Network Infrastructures and the Additional Network Infrastructures, shall always be considered “material” for the purpose hereof.

(b) Notwithstanding the provisions of paragraph (a) above (including, for the avoidance of doubt, also point 13), the Shareholders agree that:

(i) subject to paragraph (ii) below, after the fifth anniversary of the New System Effective Date, the “Reserved Matters” shall be limited to and include only the matters set forth in points (1) to (4) of paragraph (a) above (all inclusive):

(ii) all rights by Terna with respect to the Reserved Matters under this Section 2.6 shall terminate on the earlier of the Special Rights Expiry Date, and thereafter no matter shall be deemed a Reserved Matter;

(iii) none of the following matters shall be deemed a Reserved Matter:

(1) agreements for use of transmission network that the Company is obliged by law to execute at regulated prices in accordance with standard terms and conditions, substantially in line with the template agreement attached as Annex 2.6(b)(iii)(1) (unless material changes to such template agreement will become necessary pursuant to any new applicable law);

(2) agreements on system and/or ancillary services that the Company is obliged by law to execute at regulated prices in accordance with standard terms and conditions;

(3) agreements with traders of electricity in accordance with standard terms and conditions, substantially in line with the template agreements attached as Annex 2.6(b)(iii)(3);

(4) agreements on emergency procurement in situations where immediate action is required as the safety of supply of customers is in danger;

(5) standard international MLA and ITC agreements and any amendments thereof;

(6) the pending transactions listed in Annex 2.6(b)(iii)(6)

Except and to the extent not reasonably possible in the event under point (4) and except with respect to the trading agreements entered into the ordinary course of business by the Company pursuant to point (3), the Parties agree that the matters listed in this paragraph (b)(iii) shall, however, be discussed in advance and decided by the Board even if not deemed Reserved Matters.

(c) The Parties agree that a series of transactions related among them or by their type and subject matter shall be construed as a single transaction, and any amounts involved in such related

transactions shall be aggregated, to determine whether a matter is a Reserved Matter.

(d) For the avoidance of doubt, and notwithstanding anything to the contrary contained herein, the Parties agree that the powers to resolve on any of the Reserved Matters or on any other matter reserved pursuant to Montenegrin law to the Board meetings or the Shareholders' meetings shall not be delegated to any of the directors, committees, executive director, officers, employees or third parties, except with the prior written consent of Terna or Terna Director pursuant to Sections 2.5(d) or 2.2(g), as the case may be.

(e) Notwithstanding anything to the contrary in this Agreement or in the By-laws, the Principal Shareholder shall ensure that the Company does not undertake or agree to undertake any Reserved Matter, and that no Reserved Matter is adopted or carried out by the Company, without a decision to undertake such acts being put to the shareholders' meeting or the Board meetings and Terna and/or Terna Directors, as the case may be, expressly voting in favor of such a decision in accordance with Sections 2.2(g) and 2.5(d), as the case may be.

(f) The Shareholders agree to exercise their voting rights in good faith, taking also into reasonable account the interest of the Company and the development and implementation of the New Interconnection System and the Additional Network Infrastructures.

(g) Without prejudice to the generality of the foregoing paragraph (f), Terna undertakes not to use the rights granted to it under this Section 2.6 to block passing of a resolution by the competent body of the Company if that is aimed at purposely preventing the Company from pursuing a transaction or undertaking a specific activity which is being pursued by Terna or any of its Affiliates in competition with the Company, except with respect to transactions and activities related to grid connections, private interconnections and acquisition of transmission system operators/independent systems operators (their networks or part thereof) with respect to which Terna shall be entitled to freely use and exercise the rights granted to it under this Section 2.6 without any limitations or restrictions.

SECTION 2.7. Impasse and Deadlock.

(a) In the event that (i) a Reserved Matter that has been on the agenda two times during a period of 4 months is not approved by the Board or the shareholders meeting (as the case may be) due to the lack of an affirmative vote by a Terna Director or by Terna, and (ii) the Board and/or the Shareholders are unable to resolve their differences with respect to such matter within 10 days from the date of the last Board or shareholders meeting in which the Reserved Matter was not approved, then such situation shall be deemed an "Impasse."

(b) If an Impasse has occurred, (i) the Principal Shareholder may elect to serve Terna, within 10 days after the occurrence of the Impasse, with notice in writing (in accordance with Section 10.2) specifying the nature of the Impasse and indicating its proposed resolution and course of action (such notice, an "Impasse Notice"), provided, however, that (ii) the Principal Shareholder shall procure that the relevant Board and/or shareholders resolution and related actions and transactions are not approved and implemented without a Board and/or Shareholders' resolution rendered in accordance with, and with the supermajorities set forth in, Sections 2.2(g), 2.5(d) and 2.6 of this Agreement.

(c) Within 15 Business Days of the service of an Impasse Notice, a special committee (the "Shareholder Steering Committee") comprised of (i) two representatives of the Principal Shareholder (which shall include either the Chairman or the Executive Director of the Company) and (ii) two representatives of Terna (which shall include the chief executive officer of Terna), shall meet in person or telephonically to discuss the Impasse. The members of the Shareholder Steering Committee shall use

their reasonable good faith efforts to resolve the Impasse and find an agreement or other amicable solution in the matter constituting the Impasse as promptly as practicable and in seeking to resolve the Impasse shall take into account the best interests of the Company, the impact of the Impasse and/or proposed solutions on the expected benefits to the Shareholders from the New Interconnection System and the long-term interests of Italian and Montenegrin electricity consumers.

(d) If within 20 Business Days of first meeting or discussion to solve such Impasse the Shareholder Steering Committee unanimously resolves upon a solution to an Impasse, the Principal Shareholder and Terna hereby agree to take all necessary actions to approve, and cause their respective representatives on the Board to approve, the solution forged by the Shareholder Steering Committee and to cause the Company to implement such actions without delay.

(e) If the Shareholder Steering Committee is unable to unanimously agree upon a solution to an Impasse within 20 Business Days of its first meeting or discussion to solve such Impasse, the Parties acknowledge and agree that the relevant Board and/or shareholders meetings' resolution and related actions and transactions shall not be approved and implemented and the Company will continue to be managed in accordance with the then current Business Plan and Plan of Development, provided, however, that if the Impasse resolution procedure set forth in paragraphs (b) and (c) has been initiated with respect to: (I) any of the Reserved Matters indicated in points 5, 6, 7 or 8 of Section 2.6(a) which, (1) individually or in the aggregate involves (in positive or in negative, including as an increase, decrease or other variation) amounts, investments or value in excess of Euro 3,000,000 (three million), (2) results or is reasonably likely to result in any material delay in the construction or entry into operation of the New Interconnection System and/or the Additional Network Infrastructures, it being understood that delays of more than 12 months from the expiration of any ANI Commissioning Deadline or, as the case may be, of the Additional NI Commissioning Deadline—as such terms are defined in the Project Coordination Agreement—and taking into account possible extensions or suspensions of such deadlines in accordance with the terms and conditions of the Project Coordination Agreement, shall always be considered “material” for the purpose hereof, or (II) the Reserved Matter indicated in points 15 or 19 of Section 2.6(a) above, and is not unanimously resolved pursuant to this paragraph (e), such Impasse will be deemed a “Deadlock” for purposes of this Agreement and the provisions of Section 5.1 shall apply. For the avoidance of doubt, a Deadlock established in accordance with this Section 2.7 shall constitute a Put Event for the purposes of this Agreement.

(f) Furthermore, the Shareholders agree that (i) if an Impasse occurs or (ii) the Shareholder Steering Committee is unable to unanimously agree upon a solution to an Impasse within the above 20-Business Day period, no Shareholder or respective nominees to the Board or other position shall be entitled to submit the same proposal for a period of two months from the occurrence of the Impasse, unless with the consent of the other Shareholder.

(g) To the extent any Impasse or Deadlock exists with respect to the Plan of Development or a budget or Business Plan of the Company or any other matters, the last approved Plan of Development, budget and Business Plan, as applicable, shall continue in effect for the purposes of the operation and management of the Company until the Impasse or Deadlock is resolved in accordance with this Section 2.7 and, possibly, Section 5.1 or a new Plan of Development, budget or Business Plan is approved in accordance with Sections 2.2(g) or 2.5(d).

SECTION 2.8. Certain Delegation of Powers to Terna.

(a) The Parties acknowledge and agree that, upon Terna request, Terna shall have the right to make any decision relating to the commencement, direction and management (up to the final resolution and decision) of any action, proceeding or claim by the Company for the enforcement of its

rights against EPCG or any Related Party of the Principal Shareholder in the event the Company fails to commence and diligently pursue any such action, proceeding or claim notwithstanding a written request by Terna requesting the above. For this purpose, the Parties agree that, if the Company does not start and/or diligently pursue any such action, proceeding or claim within 30 days after Terna written notice, upon a subsequent request by Terna, the Board of Directors shall forthwith delegate to one of the Terna Directors all the powers and authorities necessary to allow Terna to commence, direct and manage (as the case may be) any such action, proceeding or claim in the name and on behalf of the Company.

(b) The authority of Terna pursuant to clause (a) of this Section 2.8 shall expire on the earlier of: (i) the fifth anniversary of the New System Effective Date and (ii) the Special Rights Expiry Date.

ARTICLE III.

BUSINESS PLAN AND PLAN OF DEVELOPMENT, USE OF PROCEEDS, AND ADDITIONAL NETWORK INFRASTRUCTURES

SECTION 3.1. Business Plan and Plan of Development.

(a) The business and activities of the Company for the duration of the Agreement shall be driven by the Business Plan (initially by the Initial Business Plan), the annual budget and the Plan of Development setting forth certain financial, economic and investment commitments and policies, parameters and goals as well as certain specific actions and activities to be implemented by the Company and some key actions, milestones, deadlines and activities to be implemented by the Company in the development of its business. The Business Plan, the annual budget and the Plan of Development will be the basis on which the Company shall be managed, and its business will at all times for the duration of the Agreement be guided and developed by the annual budget, the Plan of Development and the Business Plan in force from time to time. The Parties, to the extent of their respective powers, undertake that they shall exercise all voting rights and legal powers of control available to them as shareholders of the Company (including vote and/or procure their respective nominees to the Board or other positions to vote or act) to procure that the Company complies and operates in accordance with the Business Plan, the annual budget and the Plan of Development. The Parties acknowledge and agree that the Initial Business Plan shall be the Business Plan of the Company for 5-year period January 1, 2010-December 31, 2014.

(b) The Executive Director shall, and the Principal Shareholder shall procure that the Executive Director to, prepare, after consultation with the Deputy Chairman and the Managers, and submit to the Board for approval an annual budget for the following year (which shall include as its annexes an annual procurement plan and an annual plan of development and shall be prepared in good faith and to the best of the Executive Director's knowledge) (the initial budget for the year 2010 is included in the Initial Business Plan) and an update of the Business Plan on the basis of the Initial Business Plan and the Plan of Development and will update such draft budget and Business Plan in compliance with the Business Plan and the Plan of Development not less than on an annual basis within 30 days prior to the end of each financial year.

(c) The Shareholders further agree that if amendments to the Initial Business Plan or new versions of the Business Plan require further capital increases, the Shareholder will have the right to (but shall not be obliged to) proportionally participate in such capital increases, in accordance with and subject to Montenegrin law.

(d) The Parties agree that any amendment to the Initial Business Plan or other Business Plan and to the Plan of Development shall be agreed upon by the Shareholders in accordance with the

provisions set forth in Sections 2.2(g), 2.5(d) and 2.6.

SECTION 3.2. Use of Proceeds.

(a) The Shareholders shall procure, to the extent of their respective roles, that the Company uses the proceeds of the issuance of the shares to Terna under the Sale and Purchase Agreement only for the development, implementation and realization of the Associated Network Infrastructures and, in particular and with priority, the items and investments of the Plan of Development indicated in Annex 3.2 and, if the Principal Shareholder and Terna agree that it is more efficient for the Company to use such proceeds for the purchasing of the shares from the dissenting minority shareholders who have exercised their withdrawal rights in connection with the decisions of the Shareholders' Meeting set forth in Section 3.1.1 (i) of the Sale and Purchase Agreement rather than obtaining external financing for completing the buy-back of such shares, to purchase the above shares from the withdrawing shareholders.

(b) Each Party hereby agrees, in its respective role, including by causing its representatives on the Board or other officers or nominees of the Company to act accordingly, that (i) all the proceeds indicated in paragraph (a) above shall be transferred to, deposited and segregated on CGES's Segregated Account (as such term is defined in the Sale and Purchase Agreement), (ii) for so long as the Associated Network Infrastructures are not completed and commissioned or the Project Coordination Agreement is not terminated by the Company pursuant to Sections 5.2(a)(i)-(v) or Section 5.3(a)(iii) of the Project Coordination Agreement, such account shall be used, managed and the relevant amounts drawn only with a joint signature of a Terna Director, and (iii) during such period the amounts existing from time to time on CGES's Segregated Account shall be invested in accordance with the guidelines set forth in Annex 3.2-bis.

SECTION 3.3. Additional Network Infrastructures.

(a) The Parties acknowledge and agree that (1) the construction of at least one of the Additional Network Infrastructures is necessary for the full utilization of the New Interconnection System, regardless of whether it is constructed and operated as private or public interconnection, and the Parties shall discuss in good faith whether to proceed with the construction of just one or both of the Additional Network Infrastructures, depending on the costs, timing and benefits to the Company and Terna of such additional infrastructures, and the willingness of the TSOs/independent operators of the relevant neighbouring country(ies) to enter into binding agreement for such construction, (2) subject to the terms of the Project Coordination Agreement and the agreement of the transmission operator(s) from the relevant neighbouring country(ies) (Serbia and/or Bosnia-Herzegovina) to execute a binding agreement for construction of Additional Network Infrastructure as provided in the Project Coordination Agreement, the construction of at least one of the Additional Network Infrastructures shall be developed in parallel with the New Interconnection and shall be completed in accordance with the Project Coordination Agreement, (3) also considering the technical, economic, legal and regulatory analysis performed by the Parties and the positions of the relevant regulatory bodies of Montenegro and the relevant neighbouring country (Serbia and/or Bosnia-Herzegovina), it is the intent of the Parties that the Additional Network Infrastructures shall be constructed and operated as "private interconnectors" in accordance with Electricity Regulation 1228/2003, and (4) as such, they will use their reasonable best efforts to support the realization of the Additional Network Infrastructures as "private interconnectors", as best to serve the public interest and minimize the economic impact on Montenegrin customers.

(b) If the Parties, also considering the technical, economic, legal and regulatory analysis performed determine in good faith that the implementation of the Additional Network Infrastructure(s) is feasible as "private interconnector(s)", subject to the agreement of the transmission operator(s) from the relevant neighbouring country(ies) (Serbia and/or Bosnia-Herzegovina) to execute a binding agreement

for construction of Additional Network Infrastructure as provided in the Project Coordination Agreement (1) the construction and operations of such infrastructure(s) shall be the responsibility of a consortium (one for each of the two, if both are constructed) to be formed for such a purpose, (2) [OMISSIS]

(3) any investments necessary for the construction of the Additional Network Infrastructure(s) and any revenues deriving from the incremental net transfer capacity due to the Additional Network Infrastructure(s) which belong to the consortium will be borne/distributed among the members of the relevant consortium in proportion to their ownership interest in such consortium, unless differently agreed among them, and (4) they agree that they will negotiate in good faith the legal structure of the consortium and the associated transaction documents relating thereto, including the related shareholders/partnership's agreement and other agreements regulating the creation of the consortium, its governance, the rights and obligations of the parties related to the Additional Network Infrastructure(s) and such other aspects as customary for similar transactions in light of the relevant holdings in the consortium by its several members, all the above in accordance with the provisions of the Project Coordination Agreement.

(c) If the Parties, also considering the technical, economic, legal and regulatory analysis performed, determine that it is not technically and/or economically feasible to operate an Additional Network Infrastructure(s) as "private interconnector", in accordance with Electricity Regulation 1228/2003 and/or that the regulatory frameworks of Montenegro and the relevant neighbouring country (Serbia and/or Bosnia-Herzegovina) do not allow such operation, the construction of one of such Additional Network Infrastructures shall be the responsibility of the Company and the transmission system operator from the relevant neighbouring country, subject to the agreement of the transmission system operator of the relevant neighbouring country to enter into such project with the Company. In this event, the Company, the transmission system operator of the relevant neighbouring country and, possibly Terna (if Terna so chooses at its discretion and if the transmission system operator of the relevant neighbouring country so agrees) may, but will not be obliged, enter into a project coordination agreement (the "Additional Network Infrastructure Project Coordination Agreement"), or such other agreements that the relevant parties may possibly agree for such project that may set forth project schedules, milestones, deadlines and related penalties to make sure that this project proceed in accordance with the agreed schedule and that no Party is harmed as a result of delays and, if concluded, will be prepared consistent with the provisions of the Project Coordination Agreement relating to the Associated Network Infrastructures, all the above in accordance with the provisions of the Project Coordination Agreement.

(d) The construction and status (private or public) of transmission infrastructures included within the Additional Network Infrastructures will be subject to approval of the competent authorities of Montenegro and any competent authorities from the involved countries, in accordance with the relevant local law.

(e) Each Party, in its respective role, shall use its reasonable best efforts to support the construction of the Additional Network Infrastructure(s) with the transmission system operators of the relevant neighbouring country, regardless of whether such Additional Network Infrastructure(s) are eventually classified as "private" or "public" interconnector(s).

ARTICLE IV.

RESTRICTIONS ON TRANSFER OF SHARES

SECTION 4.1. Lock-Up and General Restrictions on Transfer.

Except as otherwise expressly provided in other sections of this Article IV or Article V of this

Agreement, at any time prior to the New Interconnection System shall have commenced full commercial operation, neither Shareholder shall, in whole or in part, sell, transfer assign, whether or not for value, or otherwise dispose of its Shares (any such action a “Transfer,” with the verb “Transfer” or “Transferred” having correlative meanings) or Encumber all or any part of them without the prior written consent of the other Shareholder and no such Transfer or creation of encumbrance shall be permitted. Any Transfer or creation of Encumbrance contrary to the terms of this Article IV or this Agreement shall be deemed null and void and of no force and effect and, if such action is taken by a Shareholder, such Shareholder shall be deemed to be in material breach of this Agreement. Neither Shareholder shall enter into any agreement or arrangement of any kind with any person with respect to its Shares inconsistent with the provisions of this Agreement, including any agreement or arrangement with respect to the acquisition, disposition or voting (if applicable) of its Shares.

The Parties agree that the restriction and prohibition set forth in this Section 4.1 shall be registered with the Montenegrin Central Depository Agency and they shall carry out and/or execute such documents, deeds and other actions, steps or formalities as may be necessary under Montenegrin law to make the restriction and prohibition set forth in this Section 4.1 valid, binding and enforceable also vis-à-vis the Company and any third party.

SECTION 4.2. General Conditions Applicable to Transfers.

(a) Neither the Principal Shareholder nor Terna shall Transfer or Encumber all or any portion of its Shares until after the New Interconnection System shall have commenced full commercial operation, other than pursuant to (i) a Transfer by Terna to a Permitted Transferee in accordance with Section 4.3 (provided, however that any such Permitted Transferee would be subject to the same restrictions on Transfer), (ii) a Transfer pursuant to the exercise of the Terna Put Option in accordance with Section 5.1, (iii) a Transfer pursuant to the exercise of the Principal Shareholder Call Option in accordance with Section 5.2, or (iv) any Transfer that has been agreed to in writing by the Shareholders. After the New Interconnection System shall have commenced full commercial operation, or upon termination of the Project Coordination Agreement, either Shareholder may Transfer or Encumber all or any portion of its Shares free from any restriction or limitation, provided that until the fifth anniversary of the New Interconnection System having commenced full commercial operation (unless the Project Coordination Agreement is terminated sooner) in the event of Transfer it grants the non-selling Shareholder the right of first offer pursuant to Section 4.4 or 4.5 hereof, as the case may be. For the avoidance of doubt, the Parties agree that upon termination of the Project Coordination Agreement or after the fifth anniversary of the New Interconnection System having commenced full commercial operation, whichever is earlier, the Shareholders shall be entitled to Transfer or Encumber all or any portion of their Shares free from any restriction or limitation.

(b) All Transfers shall comply with applicable securities and corporate laws.

SECTION 4.3. Transfers by Terna to Permitted Transferees. Notwithstanding Sections 4.1 or 4.2 hereof, Terna shall have the right at any time to freely Transfer, without being subject to the restrictions of Section 4.1 or 4.2 or complying with the procedures of Section 4.5 hereof, all (but not part) of its Shares to a Permitted Transferee provided that, as a condition to such Transfer, Terna submits to the Principal Shareholder:

(i) a certificate issued by the Permitted Transferee substantially in the form as provided in Annex 4.3(i) to this Agreement whereby the Permitted Transferee confirms without exception to be bound by the terms and conditions of this Agreement and be subject to the same obligations as Terna under this Agreement. The Permitted Transferee shall be deemed to be a single party with Terna for purposes of this Agreement (including with

respect to Section 2.1(b)) and shall have, and be bound by, the rights and obligations assigned to Terna hereunder;

- (ii) a certificate issued by Terna substantially in the form as provided in Annex 4.3(ii) to this Agreement whereby Terna confirms that it shall remain jointly and severally liable with such Permitted Transferee with respect to the performance by the latter of its obligations hereunder.

In case of Transfer by Terna of all of its Shares to its Permitted Transferee in accordance with this Section 4.3, Terna undertakes to procure that such Permitted Transferee does not cease to be its Affiliate without first having transferred beneficial and legal ownership of the Shares back to Terna prior to it ceasing to be Terna's Affiliate.

If the Permitted Transferee ceases to be Terna's Affiliate without having transferred the Shares acquired from Terna back to Terna (or to a Terna Affiliate, in which case subparagraph (i) and (ii) above shall apply) in accordance with the previous paragraph of this Section 4.3 within 60 days after notice by the Principal Shareholder requesting Terna to repurchase such Shares, the Principal Shareholder is, without prejudice to other rights and remedies it may have under this Agreement or the applicable law, entitled to terminate this Agreement by written notice to Terna and/or to such Permitted Transferee, and the Principal Shareholder shall not be bound by this Agreement with respect to either Terna or the Permitted Transferee.

SECTION 4.4. Transfers by the Principal Shareholder Subject to Right of First Offer.

(a) After the date on which the New Interconnection System shall have commenced full commercial operation and until the fifth anniversary of such date, the Principal Shareholder (in this Section 4.4, the Principal Shareholder is referred to as the "Selling Shareholder"), shall be entitled to Transfer all or any portion of its Shares to one or more persons, so long as the Selling Shareholder has prior to any such Transfer fully complied with the right of first offer in favor of Terna (in this Section 4.4, the "Other Shareholder") with respect to any Shares that it intends to Transfer pursuant to this Section 4.4(a).

(b) Prior to any Transfer of all or any portion of its Shares (such number of Shares that it intends to Transfer, the "ROFO Shares"), the Selling Shareholder shall give written notice (the "Offer Notice") to the Other Shareholder that the Selling Shareholder desires to sell the ROFO Shares pursuant to this Section 4.4, which notice shall (i) specify the per share price, payable in cash only (the "Per Share Price"), at which the Selling Shareholder is offering to sell the ROFO Shares and the number of ROFO Shares and (ii) contain a firm, irrevocable, legally binding cash offer of the Selling Shareholder (the "ROFO Offer") to sell to the Other Shareholder the ROFO Shares for the amount in cash equal to the Per Share Price multiplied by the number of ROFO Shares and on such other terms as specified in the Offer Notice.

(c) The Other Shareholder shall have 30 days after receipt of the Offer Notice to notify the Selling Shareholder whether it intends to accept the ROFO Offer (the "Acceptance Notice").

(d) If the Other Shareholder fails to deliver an Acceptance Notice within the above 30-day period, then the Other Shareholder shall be deemed to have rejected the ROFO Offer and the provisions of paragraph (f) below shall apply. If the Other Shareholder accepts the ROFO Offer within the above 30-day period, then the Selling Shareholder shall be obligated to sell, and the accepting Other Shareholder shall be obligated to purchase, all and not less than all of the ROFO Shares for the Per Share Price and on such other terms as specified in the Offer Notice and the provisions of paragraph (e) below shall apply.

(e) If the Other Shareholder accepts the ROFO Offer within the above 30-day period, then as promptly as reasonably practicable after such acceptance and, in any event, within 15 Business Days following the delivery of the Acceptance Notice (or, if subsequent, and to the extent required by applicable law, immediately after the obtainment of any necessary antitrust or other mandatory approvals), the closing shall occur at such reasonable place and such time as the Shareholders may agree or, failing which, at the registered office of the Company. On closing, the Other Shareholder shall pay the purchase price by wire transfer of immediately available funds to an account designated in writing by the Selling Shareholder and the Selling Shareholder shall validly sell, transfer and deliver to the Other Shareholder the ROFO Shares, free and clear of all Encumbrances. The Parties shall also execute and/or submit any document, deed, instruction, filing, request, instrument or agreement, and carry out any endorsement or other action required by Montenegrin law or useful to perfect the sale and transfer of the ROFO Shares and to vest the Other Shareholder with full, exclusive and good title to the ROFO Shares, free and clear of any Encumbrance. Each party shall pay its own costs and expenses in connection with the conveyance of the ROFO Shares and any transfer, deed, documentary stamp or other tax due in connection with a transfer of the ROFO Shares pursuant to this Agreement.

(f) If the Other Shareholder does not accept the ROFO Offer (including by failing to deliver an Acceptance Notice within the 30-day period set forth in paragraph (d) above), then the Selling Shareholder shall be permitted to sell all and not less or more than all the ROFO Shares to any person, provided that, and only if, (i) the purchase price per Share for the ROFO Shares to be paid by the third party purchaser is equal to or higher than 100% of the Per Share Price, (ii) the other terms and condition of the sale are not less favorable to the Selling Shareholders than the terms and conditions specified in the Offer Notice, and (iii) the closing of such sale and purchase shall occur no later than 150 days after the end of the 30-day period described in paragraph (d) above. In the event that the Selling Shareholder fails to sell and transfer all of the ROFO Shares within the specified 150-day period, the Selling Shareholder shall not be permitted to Transfer the ROFO Shares and shall be bound to re-initiate the entire procedure set forth in this Section 4.4 if it still intends to Transfer any of its Shares.

(g) Each Shareholder agrees that it shall be reasonable and cooperate with the other Shareholder, including executing any documents that may be reasonably required, to consummate any Transfer pursuant to this Section 4.4.

SECTION 4.5. Transfers by Terna Subject to Right of First Offer.

(a) After the date on which the New Interconnection System shall have commenced full commercial operation and until the fifth anniversary of such date, Terna (in this Section 4.5, such Shareholder is referred to as the "Selling Shareholder") shall be entitled to Transfer all or any portion of its Shares to one or more persons, so long as the Selling Shareholder has prior to any such Transfer fully complied with the right of first offer in favor of the Principal Shareholder (in this Section 4.5, the "Other Shareholder") set forth in this Section 4.5 with respect to any Shares that it intends to Transfer pursuant to this Section 4.5.

(b) Prior to any Transfer of all or any portion of its Shares (such number of Shares that it intends to Transfer, the "ROFO Shares"), the Selling Shareholder shall give written notice (the "Offer Notice") to the Other Shareholder that the Selling Shareholder desires to sell the ROFO Shares pursuant to this Section 4.5, which notice shall (i) specify the per share price, payable in cash only (the "Per Share Price"), at which the Selling Shareholder is offering to sell the ROFO Shares and the number of ROFO Shares and (ii) contain a firm, irrevocable, legally binding cash offer of the Selling Shareholder (the "ROFO Offer") to sell to the Other Shareholder the ROFO Shares for the amount in cash equal to the Per Share Price multiplied by the number of ROFO Shares and on such other terms as specified in the Offer Notice.

(c) The Other Shareholder shall have 30 days after receipt of the Offer Notice to notify the Selling Shareholder whether it intends to accept the ROFO Offer (the “Acceptance Notice”).

(d) If the Other Shareholder fails to deliver an Acceptance Notice within the above 30-day period, then the Other Shareholder shall be deemed to have rejected the ROFO Offer and the provisions of paragraph (f) below shall apply. If the Other Shareholder accepts the ROFO Offer within the above 30-day period, then the Selling Shareholder shall be obligated to sell, and the accepting Other Shareholder shall be obligated to purchase, all and not less than all of the ROFO Shares for the Offer Price and on such other terms as specified in the Offer Notice and the provisions of paragraph (e) below shall apply.

(e) If the Other Shareholder accepts the ROFO Offer within the above 30-day period, then as promptly as reasonably practicable after such acceptance and, in any event, within 15 Business Days following the delivery of the Acceptance Notice (or, if subsequent, and to the extent required by applicable law, immediately after the obtainment of any necessary antitrust or other mandatory approvals), the closing shall occur at such reasonable place and such time as the Shareholders may agree or, failing which, at the registered office of the Company. On closing, the Other Shareholder shall pay the purchase price by wire transfer of immediately available funds to an account designated in writing by the Selling Shareholder and the Selling Shareholder shall validly sell, transfer and deliver to the Other Shareholder the ROFO Shares, free and clear of all Encumbrances. The Parties shall also execute and/or submit any document, deed, instruction, filing, request, instrument or agreement, and carry out any endorsement or other action required by Montenegrin law or useful to perfect the sale and transfer of the ROFO Shares and to vest the Other Shareholder with full, exclusive and good title to the ROFO Shares, free and clear of any Encumbrance. Each party shall pay its own costs and expenses in connection with the conveyance of the ROFO Shares and any transfer, deed, documentary stamp or other tax due in connection with a transfer of the ROFO Shares pursuant to this Agreement.

(f) If the Other Shareholder does not accept the ROFO Offer (including by failing to deliver an Acceptance Notice within the 30-day period set forth in paragraph (d) above), then the Selling Shareholder shall be permitted to sell all and not less or more than all the ROFO Shares to any person, provided that, and only if, (i) the purchase price per Share for the ROFO Shares to be paid by the third party purchaser is equal to or higher than 100% of the Per Share Price, (ii) the other terms and condition of the sale are not less favorable to the Selling Shareholder than the terms and conditions specified in the Offer Notice, and (iii) the closing of such sale and purchase shall occur no later than 150 days after the end of the 30-day period described in paragraph (c) above. In the event that the Selling Shareholder fails to sell and transfer all of the ROFO Shares within the specified 150-day period, the Selling Shareholder shall not be permitted to Transfer the ROFO Shares and shall be bound to re-initiate the entire procedure set forth in this Section 4.5 if it still intends to Transfer any of its Shares.

(g) Each Shareholder agrees that it shall be reasonable and cooperate with the other Shareholder, including executing any documents that may be reasonably required, to consummate any Transfer pursuant to this Section 4.5.

SECTION 4.6. Other Provisions.

(a) For the avoidance of doubt, the Parties acknowledge and agree that the provisions of Section 4.5 shall not apply in the event of (i) Transfers by Terna to a Permitted Transferee in accordance with Section 4.3, (ii) a Transfer pursuant to the exercise of the Terna Put Option in accordance with Section 5.1, (iii) a Transfer pursuant to the exercise of the Principal Shareholder Call Option in accordance with Section 5.2, or (iv) any Transfer that has been agreed to in writing by the Shareholders.

(b) For the avoidance of doubt, the Parties acknowledge and agree that after the fifth anniversary of the New Interconnection System having commenced full commercial operation or upon termination of the Project Coordination Agreement, whichever is earlier, any Party shall be entitled to Transfer all or any portion of its Shares to one or more persons without limitations.

ARTICLE V

PUT AND CALL OPTIONS

SECTION 5.1. Terna Put Option.

(a) If a Put Event occurs, Terna, without prejudice to any other right or remedy available to it with respect to the event giving rise to the Put Event, shall have the unconditional right (but not the obligation) to sell and require the Principal Shareholder to purchase, and the Principal Shareholder shall be irrevocably and unconditionally bound to purchase, all, but not less than all, of the Shares acquired by Terna pursuant to the Sale and Purchase Agreement or pursuant to a subsequent capital increase performed by the Company (the "Put Shares") subject to the terms and conditions set forth in this Section 5.1 (the "Terna Put Option"). Terna may exercise the Terna Put Option only once, in whole and not in part, at any time subsequent to the occurrence of a Put Event within 4 months of the date when Terna shall have acquired full knowledge of the occurrence of a Put Event.

(b) In the event that Terna wishes to exercise the Terna Put Option, Terna shall deliver a written notice to the Principal Shareholder (the "Put Option Exercise Notice") indicating its intention to exercise the Terna Put Option.

(c)

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(d) The sale and purchase and consummation of the transactions contemplated in this Section 5.1 (the "Put Option Closing") shall take place at such place as the Parties may agree in writing or, failing that, at the registered office of the Company, and in any event shall be occur on a date (the "Put Option Closing Date") that is no later than 30 (thirty) Business Days following the receipt by the Principal Shareholder of the Put Option Exercise Notice; provided, however, that to the extent any antitrust or other mandatory filings or approvals are required by applicable law prior to the Put Option Closing, the Put Option Closing Date shall be no later than (i) 30 (thirty) Business Days following the receipt by the Principal Shareholder of the Put/ Option Exercise Notice or (ii) 10 (ten) Business Days after the obtainment of any such necessary or mandatory filings or approvals, whichever is later. On the Put Option Closing Date, the Principal Shareholder shall pay in full the Put Option Purchase Price by wire transfer of immediately available funds to an account designated in writing by Terna and Terna shall validly transfer and deliver to Principal Shareholder the Put Shares, free and clear of all Encumbrances, other than such Encumbrances expressly foreseen by this Agreement or otherwise created with the prior written consent of the Principal Shareholder ("Permitted Encumbrances"). The Parties shall also execute and/or submit any document, deed, instruction, filing, request, instrument or agreement, and carry out any endorsement or other action required by Montenegrin law or useful to perfect the sale and transfer of the Put Shares and to vest the Principal Shareholder with full, exclusive and good title to the Put Shares, free and clear of any Encumbrance, other than Permitted Encumbrances, provided, however, that if the Montenegrin law requires that all Encumbrances be removed in order to perfect the sale and transfer of the Put Shares, then, if Permitted Encumbrances are established in favor of the Principal Shareholder or

the Company, the Parties undertake to execute and/or submit any document, deed, instruction, filing, request, instrument or agreement, and carry out any endorsement or other action required by Montenegrin law to also remove Permitted Encumbrances, and if Permitted Encumbrances are established in favor of a third party, Terna undertakes to ensure that such encumbrances are removed. Each party shall pay its own costs and expenses in connection with the conveyance of the Put Shares and any transfer, deed, documentary stamp or other tax due in connection with a transfer of the Put Shares pursuant to this Agreement.

(e) Each Shareholder agrees that it shall be reasonable and cooperate with the other Shareholder, including executing any documents that may be reasonably required, to consummate any sale and transfer pursuant to this Section 5.1.

(f) For the avoidance of doubt, the Parties acknowledge and agree that the provisions of Sections 4.1 and 4.5 shall not apply in the event of a Transfer following the exercise of the Terna Put Option in accordance with this Section 5.1.

SECTION 5.2 . Principal Shareholder Call Option.

(a) If a Call Event occurs, the Principal Shareholder, without prejudice to any other right or remedy available to it with respect to the event giving rise to the Call Event, shall have the unconditional right (but not the obligation) to purchase, and Terna shall be irrevocably and unconditionally bound to sell, all, but not less than all, of the Shares acquired by Terna pursuant to the Sale and Purchase Agreement or from the Principal Shareholder or pursuant to a subsequent capital increase performed by the Company (the “Call Shares”) subject to the terms and conditions set forth in this Section 5.2 (the “Principal Shareholder Call Option”). The Principal Shareholder may exercise the Principal Shareholder Call Option only once, in whole and not in part, at any time subsequent to the occurrence of a Call Event within 4 months of the date when Principal Shareholder shall have acquired full knowledge of the occurrence of a Call Event.

(b) In the event that the Principal Shareholder wishes to exercise the Principal Shareholder Call Option, the Principal Shareholder shall deliver a written notice to Terna (the “Call Option Exercise Notice”) indicating its intention to exercise the Principal Shareholder Call Option.

(c) [OMISSIS]

(d) The sale and purchase and consummation of the transactions contemplated in this Section 5.2 (the “Call Option Closing”) shall take place at such place as the parties may agree in writing or, failing which, at the registered office of the Company and in any event shall be made within 25 Business Days following the receipt by Terna of the Call Option Exercise Notice (or if subsequent, and to the extent required by applicable law, as soon as practically possible, and in no event later than 10 (ten) Business Days after the obtainment of any necessary antitrust or other mandatory approvals) (the “Call Option Closing Date”). On the Call Option Closing Date, the Principal Shareholder shall pay in full the Call Option Purchase Price by wire transfer of immediately available funds to an account designated in writing by Terna and Terna shall validly sell, transfer and deliver to Principal Shareholder the Call Shares, free and clear of all Encumbrances, other than such Encumbrances expressly foreseen by this Agreement or otherwise created with the prior consent of the Principal Shareholder. The Parties shall also execute and/or submit any document, deed, instruction, filing, request, instrument or agreement, and carry out any endorsement or other action required by Montenegrin law or useful to perfect the sale and transfer of the Call Shares and to vest the Principal Shareholder with full, exclusive and good title to the

Call Shares, free and clear of any Encumbrance, other than such Encumbrances expressly foreseen by this Agreement or otherwise created with the prior consent of the Principal Shareholder, provided, however, that if the Montenegrin law requires that all Encumbrances be removed in order to perfect the sale and transfer of the Call Shares, then the Parties undertake to execute and/or submit any document, deed, instruction, filing, request, instrument or agreement, and carry out any endorsement or other action required by Montenegrin law to also remove Encumbrances expressly foreseen by this Agreement or otherwise created with the prior consent of the Principal Shareholder. Each party shall pay its own costs and expenses in connection with the conveyance of the Call Shares and any transfer, deed, documentary stamp or other tax due in connection with a transfer of the Call Shares pursuant to this Agreement.

(e) Each Shareholder agrees that it shall be reasonable and cooperate with the other Shareholder, including executing any documents that may be reasonably required, to consummate any sale and transfer pursuant to this Section 5.2.

(f) For the avoidance of doubt, the Parties acknowledge and agree that the provisions of Sections 4.1 and 4.5 shall not apply in the event of a Transfer following the exercise of the Principal Shareholder Call Option in accordance with this Section 5.2.

SECTION 5.3. Consideration for the Options and Further Provisions.

(a) Each of the Shareholders acknowledges and agrees that no consideration shall be due by any of them in connection with the granting of the options set forth in this Article V and VI as such consideration has already been included and/or taken into account in the determination of the terms of the overall transaction, including the Sale and Purchase Agreement, and the reciprocal interests, including in the amounts paid and received by the Parties under the Sale and Purchase Agreement and that this Article V is an essential part for of this Agreement.

(b) Simultaneously with the consummation of the Put Option Closing or Call Option Closing, as the case may be, or immediately before the Transfer by Terna to a third party pursuant to Section 4.5 of all, and not less than all, its Shares, if so requested in writing by the Principal Shareholder, Terna shall procure that all members of the Board designated by it immediately resign from office and shall use its reasonable best efforts to procure that the Managers immediately resign from their position and the Parties, to the extent of their respective powers, undertake to exercise all voting rights and legal powers of control then available to them as shareholders of the Company (if and to the extent such powers still belong to them) to procure that an extraordinary shareholders meeting is called and held to approve the new by-laws of the Company which shall not contain and reflect the provisions of this Agreement but shall refer to and reflect exclusively the quorums, majorities, thresholds and other provisions provided by applicable Montenegrin law.

(c) Upon the consummation of the Put Option Closing or Call Option Closing, as the case may be, or upon the Transfer by Terna to a third party pursuant to Sections 4.5 of all of its Shares, this Agreement shall terminate.

ARTICLE VI

VOTING PROVISIONS AND PUT OPTION

The Parties acknowledge and agree on the essential importance for Terna of the fact that the Voting Provisions will be in full force and effect as provided under this Agreement and that Terna has been determined to enter into the Sale and Purchase Agreement and this Agreement taking into account and based upon such provisions and the provisions of this Article VI and their full effectiveness,

implementation and observance.

SECTION 6.1. Voting Provisions and Renewals.

(a) The Shareholders agree that certain provisions of the Agreement, including, in particular, to the extent that they regulate the vote of the Shareholders in the Company's general meeting, those set forth in Sections 2.1(a)-(c), (e), and (g)-(i), 2.3(g), 2.4, 2.5(a) and (c)-(e), 2.6, 2.7, and 3.1(a) and (d) (the "Voting Provisions") may fall within the definition of Article 39a of the Montenegrin Business Organization Law (Official Gazette of RoM no. 06/02 dated February 8, 2002, and no. 17/07 dated December 31, 2007, as may be amended from time to time) which provides that agreements of shareholders on voting (as defined in such Article 39a) shall be for a limited period that cannot exceed 5 years. In order to preserve the continuity of the rights and obligations set forth in the Voting Provisions, the Shareholders undertake to execute at the latest 3 months before each Voting Term an agreement (the "Voting Agreement") containing the Voting Provisions and the obligation to execute at latest 3 months before the expiration of any subsequent 5-year periods new agreements containing the same Voting Provisions, save for those which will have expired according to this Agreement. The Voting Agreement shall become effective on the day before the expiry of the Voting Term.

(b) The Shareholders further agree that should the Voting Agreement not be validly executed for any reason whatsoever before the date indicated in paragraph (a) above, by written notice to be served within 60 days prior to the expiry of the relevant Voting Term, Terna shall be entitled to ask in writing the Principal Shareholder to renew the Voting Provisions, save for those which will have expired according to this Agreement, for a further period of 5 years (the "Extended Voting Term"). If within 20 days following the receipt of Terna's request, the Principal Shareholder communicates in writing its confirmation that the Voting Provisions are renewed then the Voting Provisions shall remain in force until the earlier of the expiry of particular Voting Provisions according to this Agreement, expiry of the Extended Voting Term and the termination of this Agreement.

SECTION 6.2. Put Event and Terna Put Option.

(a) In the event that (1) the Principal Shareholder denies its consent to the renewal of the Voting Provisions in accordance with Section 6.1, (2) the Principal Shareholder does not reply to the Terna's request within the period set forth in Section 6.1(b), or (3) the Voting Provisions are not validly renewed for any reason whatsoever (other than for a reason exclusively attributable to Terna), without prejudice to any other right or remedy Terna may have under the Agreement, the By-laws and/or applicable law, any of the above clauses (1), (2) and (3) shall be considered a "Put Event" and Terna shall be entitled to exercise, at its unfettered discretion, the Terna Put Option provided in Section 5.1.

(b) The Parties agree that the provisions of this Article VI shall be incorporated in the Voting Agreement and, in any event, shall continue to apply, *mutatis mutandis*, for any five-year period (or any period that may hereafter be provided by applicable Montenegrin law for the duration of the voting agreement) subsequent to the Voting Term but no longer than the validity of this Agreement.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

Each of the Parties represent and warrants (to the extent applicable to it) to the others that:

(a) it has the full power, capacity and authority to enter into and to undertake and perform its obligations under this Agreement which when executed will constitute valid and binding obligations on it in accordance with its terms; there are no obligations, undertakings or third-party rights that may affect its powers to execute and perform the Agreement and its provisions;

(b) the entry and the performance by it of this Agreement will not result in any breach of any provision of applicable law and/or its constitutive documents (including the by-laws) or any material contractual obligation and/or result in any claim by a third party against the other Shareholders or the Company; and

(c) except as otherwise specifically indicated, no prior approval, consent or authorization from any public authority or other third party is required in connection with the execution and performance of this Agreement.

ARTICLE VIII

ADDITIONAL AGREEMENTS

SECTION 8.1.

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“in exemption” and for a period of duration, which will ensure the proper remuneration of the SPV(s)’ investments. For the avoidance of doubt, the Principal Shareholder’s obligation to support and provide the assistance specified in Sections 8.1(a), (c) and (d) shall not mean or be interpreted as the obligation of the Principal Shareholder to finance or undertake any financial obligations or incur any financial costs related to the subject of this obligation nor shall it prejudice in any manner the competence of the Regulatory Energy Agency to decide on the matters within its competence.

The Principal Shareholder’s obligation set forth in this Section 8.1 shall terminate upon expiry of twenty years of the earlier of (i) the New System Effective Date and (ii) the

Special Right Expiry Date.

SECTION 8.2. Dividend Policy, Financial Debt and Security by the Principal Shareholder, Regulatory Framework

(a) The Shareholders agree that to the maximum extent possible, all the necessary cash flow needs of the Company will be covered primary through internally generated resources and, after considering the impact on the Company's credit ratings, the use of debt (which, without prejudice to the provision of Section 8.2(b) below, shall be without recourse to both Shareholders). The Shareholders agree that, consistent with the above principle and the strategic goals and the medium-long term financial stability of the Company, after taking into account the Company's projected capital expenditures and funding requirements which shall have priority over distributions, the Company shall, subject to applicable Montenegrin law, distribute dividends at the maximum level possible, as the Shareholders may declare from time to time consistent with the provisions of this Section 8.2.

(b)

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(c) With a view to creating favorable conditions for development of the Montenegrin transmission system the Shareholders agree to use their best efforts in order to promote before the Energy Regulatory Agency of Montenegro a regulatory framework applicable to transmission on the basis of Exhibit 3.

SECTION 8.3. Confidentiality. Each Party agrees that the Confidential Information shall be kept confidential and shall not be sold, traded, published or otherwise disclosed to anyone in any manner whatsoever, including by means of photocopy or reproduction, provided, however, that a Shareholder may disclose such Confidential Information (i) to its Affiliates, advisers, directors, officers and representatives who need to know that Confidential Information for purposes relating to this Agreement, (ii) to a potential transferee in connection with a proposed Transfer of Shares provided that the potential transferee executes a confidentiality agreement substantially containing the restrictions set forth in this paragraph, (iii) in connection with the resolution of any dispute among any of the Parties, (iv) with the consent of the other Shareholder, (v) as required by applicable law or any court of competent jurisdiction, any governmental official or regulatory authority (including stock exchange authorities) or any binding judgment, order or requirement of any other competent authority, and (vi) any announcement made or information provided in accordance with paragraph (b) below. Each Party shall exercise at least the same degree of care in preventing the disclosure of any Confidential Information obtained by such Party to any third party, other than as provided in the preceding sentence, as such Party exercises in maintaining the confidentiality of its own confidential proprietary information. Each Party shall use all reasonable endeavors to ensure that their respective Affiliates and their respective officers, employees, agents and professional and other advisers keep confidential any Confidential Information. For purposes hereof, "Confidential Information" means (i) all proprietary or non-public information relating to the Company, its subsidiaries, or the business of the Company (ii) all information relating to the customers, business, assets or affairs of the other Shareholder which they may have or acquire through being a Shareholder or making appointments to the Board or through the exercise of its rights or performance of its obligations under this Agreement; or (iii) which relates to the contents of this Agreement, the Sale and Purchase Agreement and the Entire Project Coordination Agreements (or any agreement or arrangement entered

into pursuant thereto). The term “Confidential Information” does not include information that (a) is already in such Party’s possession, provided that such information is not subject to another confidentiality agreement with or other obligation of secrecy to any person, (b) is or becomes generally available to the public other than as a result of a disclosure, directly or indirectly, by such Party or such Party’s representatives in breach of this Agreement, (c) is or becomes available to such Party on a non-confidential basis from a source other than any of the Parties hereto or any of their respective representatives, provided that such source is not known by such Party to be bound by a confidentiality agreement with or other obligation of secrecy to any person, or (d) is independently developed by the relevant party. The provisions of this paragraph shall survive for one year following the termination of this Agreement.

(b) The Parties shall not make any public announcement relating to this Agreement any of the provisions contained herein or the transactions contemplated hereby without the prior written approval of the other Parties. This does not affect any announcement or disclosure required by applicable law or any regulatory body or the rules of any recognized stock exchange, but the party with an obligation to make an announcement or disclosure shall consult with the other party/parties so far as is reasonably practicable before complying with such obligation.

SECTION 8.4. By-laws and Rulebook. In the event of any ambiguity or discrepancy between the provisions of this Agreement and of the By-laws (and/or Rulebooks) of the Company, it is intended that the provisions of this Agreement shall prevail between the Parties and accordingly each Party shall exercise all voting and other rights and powers available to it (and shall cause its respective nominees to the Board or other officers designated by it to vote and exercise their powers) so as to give effect and comply with to the provisions of this Agreement and shall further, if necessary, procure any required amendment to the By-laws and/or Rulebooks of the Company. The Parties agree that if not already done at the first board of directors meeting and/or shareholders’ meeting (as applicable) the Rulebook(s) of the Company shall be amended so as to reflect the provisions of this Agreement and that any amendment or change to the Rulebook(s) with respect to matters contemplated in this Agreement or that may affect the provisions thereof shall be adopted only with the affirmative vote of a Terna Director. The Parties agree that among themselves and on a contractual basis the English version of the By-laws shall prevail if there are any discrepancies between the English and the Montenegrin version.

SECTION 8.5. Subsidiaries. The Shareholders agree that the provisions set forth in Article II shall apply, *mutatis mutandis*, to (i) all subsidiaries of the Company carrying out and/or involved in the electric energy transmission activities or operations (if any) and (ii) with respect to any other subsidiary of the Company to be established in accordance with point 18 of Section 2.6(a), the Shareholders shall jointly verify if and to the extent the provisions set forth in Article II shall apply. Accordingly each Shareholder shall exercise all voting and other rights and powers available to it (and shall cause its respective nominees to the Board or other officers designated by it to vote and exercise their powers) so as to give effect and comply with to the provisions of this Section 8.5 and, upon Terna’s request they shall further, to the extent necessary, procure any required amendment or supplement to this Agreement and/or the By-laws provided, however, that the subsidiaries of the Company referred to in this Clause 8.5 do not have to have the same number of members of the board of directors as the Company.

SECTION 8.6. Indemnification. Without prejudice to any other remedy provided or available pursuant to this Agreement or applicable law, each of the Parties agrees to indemnify and hold harmless the others from and against any and all losses (excluding loss of profits and consequential damages), damages, liabilities, costs, and expenses (documented legal and attorneys’ fees and other expenses) incurred by the relevant Party as a result or in connection with (i) any failure by such indemnifying Party to perform or comply with, or other breach of, any covenant, agreement, obligation or undertaking of such Party under this Agreement, and (ii) any inaccuracy on, or breach of, any

representation or warranty of such indemnifying Party contained in this Agreement.

The Parties agree that they shall not be entitled to be indemnified twice for the same losses, damages, liabilities, under this Agreement, the Project Coordination Agreement, and the Sale and Purchase Agreement, provided that such Party is actually and fully indemnified and held harmless.

The Parties further agree that if Terna exercises the Put Option as a consequence of the Put Event relating to the inaccuracy or breach of the representations or warranties as contemplated under item (a)(ii) of Exhibit 5 (Put Event), following the consummation of the Put Option Closing, Terna shall no longer be entitled to seek or obtain any indemnification pursuant to the Sale and Purchase Agreement with respect to the inaccuracy or breach of the representations or warranties.

ARTICLE IX

DURATION AND TERMINATION

(a) Without prejudice to the earlier expiry of certain specific provisions of this Agreement, as expressly provided in this Agreement, or the right of a Party to terminate this Agreement in cases expressly provided in this Agreement, this Agreement shall continue in full force and effect without limit in point of time and shall terminate: (i) at such time when either the Principal Shareholder or Terna (or any of Terna's Affiliates, including any Permitted Transferee) no longer owns 5% of any the share capital of the Company, provided, however, that this provision shall apply only if Terna ceases to hold at least 5% of the share capital of the Company only as a consequence of one or more transfers or assignments of Shares made by Terna (thus excluding, among others, any reduction or dilution of Terna's shareholding in the share capital and voting rights of the Company as a consequence of any capital increase, merger, demerger or other corporate reorganizations or restructuring), and provided further, that transfers or assignments by Terna to Permitted Transferees pursuant to Section 4.3 shall not be deemed and considered transfers or assignments for the purposes of this item (i), (ii) by written agreement of the Shareholders, (iii) as set forth in Section 5.3(c), or (iv) at such time when an effective and final resolution being passed by the Shareholders or a binding and final order being made for the liquidation of the Company other than to effect a scheme of reorganization, reconstruction or amalgamation; save for any of its provisions which are expressed to continue in force after termination. Upon the occurrence of any of the circumstances referred to in this paragraph (a), this Agreement shall terminate automatically.

(b) Notwithstanding anything to the contrary herein contained, if this Agreement terminates for whatever reason, the provisions set forth in Article V and Section 6.2 (to the extent that the event giving rise to the application of the relevant provisions has occurred but the provisions and procedures set forth thereunder have not been completely performed, completed and/or implemented), Section 8.3, Article IX and Article X (except Section 10.1), shall survive such termination and continue to apply.

(c) The termination of this Agreement shall be without prejudice to any liability or obligation in respect of any matters, undertakings or conditions which shall not have been observed or performed by the relevant Party prior to such termination.

ARTICLE X

MISCELLANEOUS

SECTION 10.1. Reporting.

(a) The Principal Shareholder shall procure that the Company prepares and delivers to Terna (either directly or by delivering such documentation and information to the members of the Board

designated by Terna) the following information and documentation:

1. within 30 days after the end of each quarter, unaudited quarterly management accounts of the Company prepared pursuant to IFRS, such management accounts to include a profit and loss account, balance sheet, net financial position, cash flow statement and statement of changes in equity;
2. within 30 days of the end of each semester, unaudited half-yearly full consolidated financial statements of the Company prepared pursuant to IFRS, including profit and loss account, balance sheet, net financial position, cash flow statement and statement of changes in equity, evidencing progresses with respect to budget and a description of all major business events;
3. within 90 days after the end of each fiscal year, audited annual consolidated financial statements of the Company prepared and audited pursuant to IFRS;
4. within 30 days prior to the end of each financial year, economic and financial results and forecasts and proposed budget for the subsequent year;
5. within 10 days of the end of each semester, a written report on the status and the progress of the implementation and status of the Plan of Development and Associated Network Infrastructures and, if applicable, of the Additional Network Infrastructures;
6. with reasonable promptness, such other data and information regularly prepared for senior management of the Company as from time to time such Shareholder may reasonably request;
7. such information and data reasonably required by Terna for accounting purposes.

(b) Subject to the Shareholders' obligations under Section 8.3, the Company shall afford, and shall cause its representatives to afford Terna reasonable access to the Company's officers, employees, auditors, counsel and agents and to all of their respective properties, books and records, and shall furnish (including the right to copy at Terna's costs) Terna (and its employees and agents) with all financial, operating and other data and information as Terna may reasonably request.

(c) The Parties shall jointly review, discuss and agree in good faith on changes to the IFRS policies of the Company in order to align such policies to those adopted by Terna, to the extent allowed under Montenegrin law.

SECTION 10.2. Notices. Notices to the Parties shall be sent in writing to their respective addresses set forth on Annex 10.2 attached hereto. Any Party may require notices to be sent to a different address by giving notice to the other Parties in accordance with this Section 10.2. Any notice or other communication required or permitted hereunder will be in English, in writing, and will be deemed to have

been given upon receipt if and when delivered personally, or by hand messenger or recognized air courier service, or sent by facsimile transmission (the receipt by the sender of a positive transmission report being deemed evidence of such delivery) to such Parties at such address. If a notice is delivered or faxed on a day which is not a Business Day or after business hours (6 P.M. CET), such notice shall be deemed to be received as of the opening of business on the next following Business Day.

SECTION 10.3. Governing Law; Disputes; Arbitration and Waiver of Immunity.

(a) This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, shall be enforced, construed and interpreted in accordance with the substantive laws of Montenegro, without regard to its conflict of law rules, provided, however that, notwithstanding the immediately foregoing sentence, the Parties expressly, unconditionally and irrevocably agree that (i) Section 2.6 (Reserved Matters), Section 2.7 (Impasse and Deadlock), Article V (Put and Call Options), Article VI (Voting Provisions and Put Option), Section 8.2(b), Article IX (Duration and Termination), Section 10.3 and (ii) any other provision of this Agreement that under Montenegrin law may be invalid, ineffective or unenforceable (in whole or in part) and any dispute or claim arising out of or in connection with any such sections, articles or provisions or any of their subject matter (including, for the avoidance of doubt, claims in tort), shall be enforced, construed and interpreted in accordance with the substantive laws of England, without regard to its conflict of law rules.

(b) In the event that any dispute, controversy or claim arising from, connected to or related in any manner with this Agreement arises, including but not limited to, its interpretation, making, performance, breach, termination, expiration, or invalidation, the Parties agree to submit such dispute to final arbitration before a panel of three arbitrators under the Rules of Arbitration of the International Chamber of Commerce (the “ICC” and “ICC Rules”). If the appointment of the arbitration panel is made by the International Court of Arbitration pursuant to article 10.2 of the ICC Rules, the Parties agree that at least one of the arbitrator shall be a French national.

(c) The arbitration panel shall have the exclusive right to determine the arbitrability of any disputes. In the event of any conflict between the ICC Rules and any provisions of this Agreement, this Agreement shall govern.

(d) The arbitration shall be conducted in English in Paris, France. All proceedings of the arbitration, including arguments and briefs, shall be conducted in English. The Parties agree to take all reasonable steps necessary to protect the confidentiality of any Confidential Information in the arbitration and in any related court proceedings, including the entry of a confidentiality order by the arbitration panel. An arbitration may be commenced under this Agreement against more than one other Party, and each Party to this Agreement shall not unreasonably oppose their being joined as an additional Party to an arbitration involving other Parties. In the event that more than one arbitration proceeding is instituted under this Agreement, the Sale and Purchase Agreement and/or the Project Coordination Agreements, the Parties shall not unreasonably oppose their consolidation.

(e) The arbitration panel shall award the prevailing party its reasonable attorney’s fees and costs, arbitration administrative fees, panel member fees and costs, and any other reasonable costs associated with the arbitration. The Parties agree that notifications of any proceedings, reports, communications or any other document shall be effective and shall be valid and sufficient service thereof if sent as set forth in Section 10.2 of this Agreement. In no event the arbitration panel may award punitive, consequential and/or special damages.

(f) Before commencing the arbitration and even thereafter, the Parties may apply to any competent judicial authority for interim or conservatory measures.

(g) Each Party represents that it is entering into this Agreement in a commercial capacity and that with respect to this Agreement it is in all respects subject to civil and commercial law. Each Party hereby irrevocably and unconditionally and to the fullest extent permitted by law:

(1) agrees that, should the other Party bring legal, arbitration or other proceedings against it or its assets arising out of or in connection with this Agreement, no immunity of such proceedings (which shall be deemed to include without limitation, suit, attachment prior to judgment, other attachment, the obtaining of judgment, execution and other enforcement) shall be claimed by or on behalf of itself or with respect to its assets; and

(2) waives any such right of sovereign or other immunity which it or its assets wherever located now has or may hereafter acquire.

SECTION 10.4. Entire Agreement; Binding Agreement, Assignment, No Third Party Beneficiaries. This Agreement, including the recitals, Annexes and Exhibits attached hereto, together with the Sale and Purchase Agreement and the Project Coordination Agreements and the documents, instruments and other agreements executed or delivered pursuant thereto, contain all the understandings and agreements between the Shareholders with respect to the Company and the transactions contemplated herein, and supersedes any other understandings or agreements, either oral or written, including the term sheet dated July 28, 2009, between the Company and Terna.

(b) This Agreement will be binding upon the Parties hereto, their successors, heirs, legatees, devisees, permitted assigns, legal representatives, executors and administrators, except as otherwise provided herein. No person other than the Parties, their respective successors and permitted assigns shall have any rights hereunder and nothing in this Agreement shall confer any rights upon any person which is not a Party to this Agreement. This Agreement and the rights and obligations hereunder shall not be assignable or transferable, in whole or in part, by any Party hereto other than in accordance with and to the extent provided in this Agreement in connection with certain Transfers of Shares to Permitted Transferees in accordance with Section 4.3. For the avoidance of doubt a Transfer by any Party of all or any portion of its Shares to a third party shall not result in transfer of this Agreement or any rights and obligations thereunder to such third party.

SECTION 10.5. Language. This Agreement shall be executed in English, which shall be the only language governing this Agreement. In the event that any translation of this Agreement or part thereof is made or required to be made pursuant to Montenegrin law for any reason or purpose whatsoever, the Parties agree that the English version shall prevail if there are any discrepancies between the two versions.

SECTION 10.6 Savings Clause. Except as otherwise provided, if any provision of this Agreement, or the application of such provision to any person or circumstance, is held to be invalid, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid, will not be affected thereby. Any invalid or unenforceable provision of this Agreement shall be replaced with a provision, which is valid and enforceable and most nearly reflects the original intent of the invalid and unenforceable provision. In the event that applicable law is subsequently amended or interpreted in such a way to make any provision of this Agreement that was formerly invalid valid, such provision will be considered to be valid from the effective date of such interpretation or amendment.

SECTION 10.7. Amendment; Waiver.

(a) No provision of this Agreement may be amended, modified or waived in whole or in part,

including waiving or otherwise amending any of the voting requirements set forth in Section 2.6, at any time without an agreement in writing executed by (i) the Shareholders or (ii), if the amendment, modification or waiver directly affect or relate to rights (if any) or obligations of the Company, by each of the Parties hereto.

(b) No waiver of any breach of any of the terms of this Agreement shall be effective unless such waiver is expressly made in writing and executed and delivered by the Party against whom such waiver is claimed. The waiver by any Party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. Except as otherwise expressly provided herein, no failure on the part of any Party to exercise, and no delay in exercising, any right, power or remedy hereunder, or otherwise available in respect hereof at law or in equity, shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such Party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

SECTION 10.8. Costs and Expenses. Each Party shall bear all fees, costs and expenses incurred by it in connection with the preparation, negotiation, entry into and implementation of this Agreement.

SECTION 10.9. Specific Performance. The Parties hereto agree that irreparable damage could occur in the event the provisions of this Agreement were not performed in accordance with the terms hereof and that the Parties hereto will be entitled to specific performance of the terms hereof and/or an injunction or other equitable relief to prevent breaches of this Agreement, in addition to any other remedy at law or equity, and any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief is hereby waived.

SECTION 10.10. Counterparts. This Agreement may be executed in several counterparts, and all so executed will constitute one agreement, binding on all of the Parties hereto, even though all Parties are not signatories to the original or the same counterpart. For purposes hereof, facsimile signatures shall be binding on the Parties to this Agreement.

SECTION 10.11. General Interpretive Principles. For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Agreement, as set forth on Annex A attached hereto or elsewhere in the Agreement, include the plural as well as the singular, and the use of any gender herein shall be deemed to include the other gender;

(b) references herein to “Articles,” “Sections,” “paragraphs,” and other subdivisions without reference to a document are to designated Sections, paragraphs and other subdivisions of this Agreement;

(c) a reference to a paragraph without further reference to a Section is a reference to such paragraph as contained in the same Section in which the reference appears, and this rule will also apply to other subdivisions;

(d) the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular provision;

(e) the term “include,” “includes” or “including” will be deemed to be followed by the words “without limitation.”;

(f) when calculating the period of days before which, by which or following which any act is to be done or any step is to be taken pursuant to this Agreement, the day that is the reference date in calculating such period shall be excluded. If the last day of such period is not a Business Day, the relevant period shall end on the next following Business Day;

(g) all figures that are expressed in Euros shall include their equivalent in other currencies, as the case may be;

(h) whenever in this Agreement a reference is made that a Party shall “cause”, “ensure”, or “procure” for something, that Party shall be obliged to ensure that such objective is, in fact, reached, including, without limitation, through any right to direct or cause the direction of a person or any corporate or other body of such person and shall be fully responsible if such objective is not finally reached.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first written above.

THE GOVERNMENT OF MONTENEGRO

By: _____

Title: Minister of Economy

TERNA RETE ELETTRICA NAZIONALE S.P.A.

By: _____

Title: Chief Financial Officer and attorney in fact

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD

By: _____

Title: Chairman

DEFINITIONS

The following terms shall have the following meanings:

“Acceptance Notice” has the meaning ascribed thereto in Section 4.4(d) or 4.5(c), as applicable.

“Additional Network Infrastructures” means (i) the New Montenegro-Serbia Interconnection Line, and/or (ii) the New Montenegro-Bosnia and Herzegovina Interconnection Line.

“Additional Network Infrastructure Project Coordination Agreement” has the meaning ascribed thereto in Section 3.3(c).

“Affiliate” means with respect to any person, any other person directly or indirectly controlling, controlled by or under common control with such first person. The term “control” (including with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”) shall mean as applied to or in reference to any person, any person (i) of which any person holds (directly or indirectly) more than 50% of the votes at such person’s ordinary shareholders’ meetings, (ii) over which any person exercises a dominant influence at such person’s ordinary shareholders’ meetings through the direct or indirect exercise of voting rights, or (iii) over which any person exercises a dominant influence through contractual arrangements.

“Agreement” means this Strategic and Shareholders’ Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

“Associated Network Infrastructures” means the new transmission infrastructures on the Montenegrin transmission network necessary to the operation and full utilization of the New Interconnection, composed of the following infrastructures: (a) Grid Connections in Montenegro; and (b) the new 400 kV transmission line between the existing 400kV Pljevlja substation and the new Tivat/Kotor substation, internal to the electricity transmission network of Montenegro.

“Board” and “Board of Directors” means the board of directors of the Company.

“Business Day” means any day, other than a Saturday, a Sunday or any statutory holiday in Rome, Italy or Podgorica, Montenegro.

“Business Plan” means the business plan of the Company, as it may be updated, supplemented, replaced or readopted from time to time by the Board pursuant to the provisions of Sections 2.2(g) and 2.6 and 3.1(b) of this Agreement, relating to the forthcoming five-year period, setting out details of the Company’s strategic planning in respect of the New Interconnection System, the Additional Network Infrastructures, the transmission grid in general and other activities of the Company as well as the targets for operating revenues and margins, operating expenses, resource capacity forecasts, cash flow statement, capital plan, investment plan, capital contribution requirements, part and product pricing and manpower action plan in respect of the business of the Company for the same period, which includes, as an essential part thereof, the Plan of Development.

“By-laws” means the by-laws the Company in the form of Exhibit 1 and as amended from time to time by mutual agreement of the Shareholders.

“Call Event” means (i) the cancellation by Terna of the plans to build and operate the New Interconnection, (ii) the failure of Terna to issue orders for, or enter into binding agreements for the purchase of, materials and/or services for the construction of the New Interconnection prior to December 31, 2012, (iii) the actual and effective termination of the Project Coordination Agreement by the Company pursuant to Sections 5.2(a)(i)-(v) (included) of the Project Coordination Agreement, or (iv) the inaccuracy or breach of any of the representations and warranties set forth in Section 6 of the Sale and Purchase Agreement or of any other obligation or covenant (including indemnity obligation) of Terna under the Sale and Purchase Agreement if, and only if, any such inaccuracy or breach, individually or in the aggregate, have caused or could reasonably be expected to cause Losses (as defined in the Sale and Purchase Agreement) indemnifiable to the Company and/or the Principal Shareholder pursuant to the Sale and Purchase Agreement exceeding Euro 7,000,000 (seven million), provided that, if the breach or inaccuracy is capable of being cured, is not remedied or cured by Terna within 30 Business Days of the delivery by the Principal Shareholder of the breach notice.

“Call Option Closing” has the meaning ascribed thereto in Section 5.2(d).

“Call Option Closing Date” has the meaning ascribed thereto in Section 5.2(d).

“Call Option Exercise Notice” has the meaning ascribed thereto in Section 5.2(b).

“Call Option Purchase Price” has the meaning ascribed thereto in Section 5.2(c).

“Call Shares” has the meaning ascribed thereto in Section 5.2(a).

“Chairman of the Board” or “Chairman” means the chairman of the Board of Directors of the Company.

“Company” has the meaning ascribed thereto in the preamble of this Agreement.

“Confidential Information” has the meaning ascribed thereto in Section 8.3.

“Connections to Grid” has the meaning ascribed thereto in Section 8.1.

“Deadlock” has the meaning ascribed thereto in Section 2.7(e).

“Deputy Chairman” means the deputy chairman of the Board of Directors of the Company.

“Director” means any member of the Board of Directors of the Company.

“Encumbrance” means (including with correlative meaning “Encumber”) any lien, encumbrance, mortgage, deed of trust, security interest, easement, conditional sale or other title retention agreement, title defect, pledge, hypothecation, lease, levy, charge, transfer restriction, right of first offer, right of first refusal, option, preemptive right, voting trust or agreement, whether arising by agreement, statute or otherwise.

“Entire Project Coordination Agreements” means (i) the Project Coordination Agreement, dated as of the date hereof by and between Terna, the Principal Shareholder and the Company relating to the Associated Network Infrastructures, the New Interconnection and the Additional Network Infrastructures (the “Project Coordination Agreement”) (ii) should any of the Additional Network Infrastructures be finally developed and build as a public line by the Company and the transmission system operator of the relevant neighboring country (and not as a “private interconnector(s)” pursuant to

Electricity Regulation 1228/2003), the Additional Network Infrastructures Project Coordination Agreement that may be executed pursuant to Section 3.3(c).

“Executive Director” has the meaning ascribed thereto in Section 2.3(c).

“Extended Voting Term” has the meaning ascribed thereto in Section 6.1(b).

“Grid Connections in Montenegro” means (i) the new AC 400 kV Tivat/Kotor substation including those 400 kV bus bars and bays, necessary for the infrastructures of connection of the new AC 400 kV Tivat/Kotor substation to the new AC/DC Converter Station in Montenegro, to the Montenegrin existing electricity transmission grid and to the existing 400 kV Pljevlja substation, (ii) the 400kV transmission lines connecting the new AC 400 kV Tivat/Kotor substation to the existing Montenegrin electricity transmission grid (in particular, the existing 400 kV line “Podgorica 2 – Trebinje” in an Input-Output configuration), and (iii) the AC transmission infrastructures (lines or cables), if any, connecting the new AC 400 kV Tivat/Kotor substation to the new AC/DC Converter Station in Montenegro.

“IFRS” means the international accounting standards issued by the International Accounting Standards Committee (as amended, supplemented or reissued from time to time) and, to the extent that they have replaced such international accounting standards, the international financial reporting standards issued by the International Accounting Standards Board (as amended, supplemented or reissued from time to time), endorsed by the European Commission.

“Impasse” has the meaning ascribed thereto in Section 2.7(a).

“Impasse Notice” has the meaning ascribed thereto in Section 2.7(b).

“Initial Business Plan” means the 5-year business plan of the Company attached as Exhibit 2.

“Intergovernmental Agreement” has the meaning ascribed thereto in the recitals of this Agreement.

“Manager” and “Managers” has the meaning ascribed thereto in Section 2.3(d).

“Minimum Regulatory Requirements” means:

- (a) all elements and items relating to the new electricity regulatory framework in Montenegro which both Shareholders agree and confirm, at their sole discretion, in writing as complete and acceptable to them, or, if for any reason whatsoever such agreement and confirmation is not reached at the latest by December 2011,
- (b) all elements and items relating to the new electricity regulatory framework in Montenegro set forth in Exhibit 3 (and, for the avoidance of doubt, with respect to those elements and items which are set forth in the Section 1.2 of the Exhibit 3 as an alternative, either of the alternative elements or items),

in each case (a) and (b), to be adopted and implemented by the Energy Regulatory Agency of Montenegro at the latest by the end December 2011 and to be implemented over the period 2011-2014 as indicated (i) in the written agreement and confirmation possibly reached under letter (a) above or (ii) in Exhibit 3 in

the case under letter (b) above, as the case may be.

“Minority Shareholder” means any shareholder of the Company other than the Principal Shareholder and Terna (and its Permitted Transferees).

“New Interconnection” shall mean the new electricity interconnection between Italy and Montenegro, which will be composed of the following infrastructures: (a) the ground cables connecting the AC/DC Converter Station in Italy, located , in Cepagatti, with the existing Italian transmission grid at 400 kV Villanova substation; (b) the AC/DC Converter Station of Cepagatti in Italy; (c) the DC ground cable located in the Italian territory connecting the Cepagatti AC/DC Converter Station to the landing point in Italy, located in the municipality of Pescara, (d) the entire High Voltage Direct Current (HVDC) undersea interconnection power cables running between the Italian landing point and the landing point in Montenegro, located in the municipality of Kotor, including the electrodes system and the related medium voltage cables allowing the return of electricity to be used only under contingency operation; (e) the DC ground cable located in the territory of Montenegro connecting the landing point in Montenegro to the AC/DC Converter Station in Montenegro; and (f) the new AC/DC Converter Station in Montenegro, including the related 400 kV bus bars and those bays necessary for the infrastructures of connection to the new AC 400 kV Tivat/Kotor substation. “New Interconnection System” means the new entire electricity interconnection system between Italy and Montenegro, comprising the New Interconnection and the Associated Network Infrastructures.

“New Interconnectors” has the meaning ascribed thereto in Section 8.1.

“New Montenegro-Bosnia and Herzegovina Interconnection Line” means a new 400 kV transmission line between Pljevlja (Montenegro) and Visegrad (Bosnia and Herzegovina).

“New Montenegro-Serbia Interconnection Line” means a new 400 kV transmission line between Pljevlja (Montenegro) and Bajina Basta (Serbia).

“New Regulatory Framework” means the new regulations adopted by the Energy Regulatory Agency of Montenegro, published and in force and effect, that contain the Minimum Regulatory Requirements.

“New System Effective Date” means the first date on which both the New Interconnection System and at least one of the Additional Network Infrastructures shall have commenced full commercial operations.

“Offer Notice” has the meaning ascribed thereto in Sections 4.4(b) or 4.5(b), as applicable.

“Other Shareholder” has the meaning ascribed thereto in Section 4.4(a) or 4.5(a), as applicable.

“Party” or “Parties” has the meaning ascribed thereto in the preamble of this Agreement.

“Per Share Price” has the meaning ascribed thereto in Section 4.4(b) or 4.5(b), as applicable.

“Permitted Encumbrance” has the meaning ascribed thereto in Section 5.1(d).

“Permitted Transferee” means any of Terna’s Affiliates.

“person” means an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, unincorporated organization, trustee, executor, administrator, legal representative, government (including any governmental or public entity) or any other entity, whether or not having legal status.

“Plan of Development” means the plan of development of the Company attached hereto as Exhibit 4, containing the definition and details of the Associated Network Infrastructures and other key transmission infrastructures and operational activities for the proper development, valorization and renovation of the Montenegrin transmission grid, as agreed from time to time by the Shareholders.

“Principal Shareholder” has the meaning ascribed thereto in the preamble of this Agreement.

“Principal Shareholder Call Option” has the meaning ascribed thereto in Section 5.2(a).

“Principal Shareholder Director” has the meaning ascribed thereto in Section 2.1(a).

“Put Event” means any of the events indicated in Exhibit 5.

“Put Option Closing” has the meaning ascribed thereto in Section 5.1(d).

“Put Option Exercise Notice” has the meaning ascribed thereto in Section 5.1(b).

“Put Option Purchase Price” has the meaning ascribed thereto in Section 5.1(c).

“Put Shares” has the meaning ascribed thereto in Section 5.1(a).

“Related Parties” means (i) the Principal Shareholder or any of its Affiliates or any entity in which the Principal Shareholders or any of its Affiliates has a significant interest or Control (other than the Company) or any director or other officer of any of the above persons, or (ii) Terna or any of its Affiliates or any entity in which Terna or any of its Affiliates has a significant interest or Control (other than the Company).

“Reserved Matter” has the meaning ascribed thereto in Section 2.6.

“ROFO Offer” has the meaning ascribed thereto in Section 4.4(b) or 4.5(b), as applicable.

“ROFO Shares” has the meaning ascribed thereto in Section 4.4(b) or 4.5(b), as applicable.

“Sale and Purchase Agreement” has the meaning ascribed thereto in the recitals of this Agreement.

“Selling Shareholder” has the meaning ascribed thereto in Section 4.4(a) or 4.5(a), as applicable.

“Shareholder” has the meaning ascribed thereto in the preamble of this Agreement.

“Shareholders’ meeting” means the shareholders’ meeting of the Company.

“Shareholder Steering Committee” has the meaning ascribed thereto in Section 2.7(c).

“Shares” means the shares of any class of the Company (and/or options and subscription rights therefore) and any other form of equity or other securities of the Company convertible into capital

stock of the Company (or options and subscription rights therefore), issued by the Company from time to time.

“Special Rights Expiry Date” has the meaning ascribed thereto in Section 2.1(b).

[OMISSIS]

“Strategic Partnership” means, collectively, (i) the consummation of the Sale and Purchase Agreement, (ii) the execution and implementation of this Agreement, (iii) the construction of the Associated Network Infrastructures by the Company, and (iv) the construction of at least one of the Additional Network Infrastructures.

“Terna” has the meaning ascribed thereto in the preamble of this Agreement.

“Terna Director” has the meaning ascribed thereto in Section 2.1(a).

“Terna Invested Capital” means the sum of (a) the amount of cash or cash equivalents paid by Terna and its Affiliates to subscribe and acquire any Shares pursuant to the Sale and Purchase Agreement, and (b) the amount of cash or cash equivalents or value (in case of in kind contributions, at the time when such contribution is made) paid or contributed by Terna and/or its Affiliates to subscribe any Shares or other instruments of the Company (including any instrument converted into equity) subsequent to the consummation of the “Closing” under the Sale and Purchase Agreement and up to the date of the relevant transfer.

“Terna Put Option” has the meaning ascribed thereto in Section 5.1(a).

“Transfer” has the meaning ascribed thereto in Section 4.1.

“Voting Agreement” has the meaning ascribed thereto in Section 6.1(a).

“Voting Provisions” has the meaning ascribed thereto in Section 6.1(a).

“Voting Term” means of the fifth anniversary of the date hereof, and every subsequent fifth anniversary of such date until the termination or expiration of this Agreement.

“Working Group for the New Montenegro-Bosnia and Herzegovina Interconnection Line” means the group composed of representatives of Terna, the Company and the transmission system operator and/or independent system operator from Bosnia and Herzegovina, whose task is to finalize the feasibility study of the New Montenegro- Bosnia and Herzegovina Interconnection Line and to analyze whether it is technically and economically feasible to operate such a line and whether the regulatory frameworks of Montenegro and Bosnia and Herzegovina allow the New Montenegro- Bosnia and Herzegovina Interconnection Line to be built and operated as a “private interconnector”, in accordance with Electricity Regulation 1228/2003.

“Working Group for the New Montenegro-Serbia Interconnection Line” means the group composed of representatives of Terna, the Company and the transmission system operator from Serbia, whose task is to finalize the feasibility study of the New Montenegro-Serbia Interconnection Line and to analyze whether it is technically and economically feasible to operate such a line and whether the regulatory frameworks of Montenegro and Serbia allow the New Montenegro-Serbia Interconnection Line to be built and operated as a “private interconnector”, in accordance with Electricity Regulation 1228/2003.

“Working Groups” mean the Working Group for the New Montenegro-Serbia Interconnection Line and the Working Group for the New Montenegro-Bosnia and Herzegovina Interconnection Line.

ANNEX B

SHARE OWNERSHIP

<u>Shareholder</u>	<u>Number of Shares</u>	<u>Percentage</u>	<u>Class of Shares</u>
The Government of Montenegro	80,397,282	55.000%	Ordinary
Terna Rete Elettrica Nazionale S.p.A.	32,288,915	22.0889%	Ordinary

ANNEX 2.3(d)

AREAS AND FUNCTIONS OF THE MANAGERS

A. Activities of the of Unit “Grid Planning and Development”¹

1. Grid Planning

- To prepare the Company’s Grid Development Plan;
- To define strategic guidelines for the development of National Transmission Grid with the view of assuring secure operation of power system;
- To study and plan new interconnection projects;
- To verify and optimize the renewal and reinforcement of the National Transmission Network considering the Company’s Grid Development Plan provisions;
- To perform technical analyses in support of grid investment profitability assessment;
- To interface with distribution companies in relation to network development issues aiming at interoperability and harmonization of development plans.

2. Grid Design and Development

- To work on and implement the authorization procedures (by also leveraging on the necessary external resources), the rights of way and the management of building sites;
- To supervise the expropriation procedures and allocation of relevant rights of way;
- To participate in preparation of supply and service contracts and supervise the technical and administrative activities by contractors and suppliers on building site;
- To manage the work in progress and carries out relevant tests co-ordination;
- To assure the implementation of the design “as built”.

B. Description of activities of new Function “Financial Planning, Control and Investor Relations”²

1. Financial planning

- To oversee the financial planning and controlling of the short-term financial needs of the Company and ensure an optimized coverage of indebtedness on mid and long term;
- To ensure the management of financial risks and monitor relevant exposure;
- To define hedging instruments in line with Company’s financial risk’s management policies
- To support the treasury activities aiming at minimizing the cost of debt and optimize current account balances through bank borrowings/use of cash³;

¹ The Unit “Grid Planning and Development” will replace the existing Unit “Development , Revitalization and Investment”

² The new Function “Financial Planning, Control and Investor Relations” will incorporate activities developed by the existing Unit “ Finance and Payments”.

- To ensure the management of taxes
- To define the optimal capital structure and ensure coverage of the financial needs of medium and long term through the use of capital markets and credit;
- To participate in negotiations, defining and finalizing the financing agreements and/or credit facilities with the financial institutions and domestic and foreign banks
- To develop and coordinate the execution of structured finance and project finance and analyze economic and financial impacts of transactions;
- To determine the fair value of financial transactions and monitor and guard the effectiveness of the financial risks' coverage
- To ensure monitoring and reporting of Company's financials and transactions accounting

2. Control

- To support the definition of strategic guidelines
- To manage the process of planning, budgeting and forecasting of the Company;
- To ensure the preparation of plan, budget and forecast of the Company's
- To co-ordinate the preparation of plan, budget and forecast activities of the Company based on single Departments feedback;
- To preside over system of management control and support corrective actions definition;
- To ensure the management of regulatory accounting income and to support the process of regulatory management through the support in assessing Regulator's decisions impact;
- To preside over the process of evaluation, authorization and control of investments and assist Departments in the definition of investment forecasts;
- To support the definition of strategic and financial-economic policies in short and midterm.

3. Investor Relations

- To manage relationship and communications with institutional investors and financial analysts and to support institutional investors over requested surveys and inquiries;
- To co-ordinate relationships and communication process towards the stock markets and to guarantee the proper release of Company's reports;
- To monitor stock market shares and assure reporting activities over stock markets trends;
- To support processes related to the Corporate Social Responsibility.

3 The activities related to cash receipts and payments have to be duly co-ordinated with the Function "Economic Affairs" as well as properly reflected within the updated rulebooks of the Company.

C. Description of activities of Unit “Regulatory Affairs and International activities”⁴

1. National Regulation and economic analyses

- To manage relationships with the Energy Regulatory Agency (ERA) over transmission and system operation regulation aiming at pursuing the most convenient accommodation of Company’s instances over secondary legislation implementation;
- To develop economic analyses on the decisions of ERA related to the transmission sector and assess their economic and strategic impact on the Company’s different businesses;
- To co-operate with ERA on main analyses related to tariffs projections and definition;
- To provide for working out, updating and maintaining the grid code in line with legal/regulatory framework and to cooperate with the interested Departments in the fulfillment of obligations required by the Transmission and System operation licenses;
- To participate, in co-operation with other departments, in preparation of agreements with other electricity sector stakeholders (i.e. generators, market operator) on regulatory issues and market functioning (including transmission usage, losses remuneration and ancillary services contracts);
- To co-operate with technical departments in developing a "regulatory" accounting of assets.

2. European regulation and international activities

- To coordinate the Company’s participation in the European and International organizations of TSOs, aiming at aligning Company’s policies and procedures to EU TSOs’ best practices;
- To oversee relations with the international institutions, associations and stakeholders of the electricity sector of Company’s interests, with particular reference to regulated frameworks;
- To support regulatory issues related to interconnection capacity allocation and, in co-operation with technical Departments, commercial agreements with neighboring TSOs;
- To identify opportunities for international regulated and non regulated development and to analyze with the other departments the economic and regulatory feasibility of the businesses
- To carry out international and European benchmarking (i.e. tariff systems) and its evolution.

⁴ The Unit “Regulatory Affairs and International Activities” will replace the existing Unit “Regulatory and International Affairs”

ANNEX 2.4

LIST OF AUDITING FIRMS

NAME	ADDRESS	REGISTRATI ON NUMBER	CONTACTS	WEB ADDRESS
DELOITTE DOO	Bulevar Ivana Crnojevića 107, Podgorica	1018	Danijela Dimovski tel: +382 20 664 017 - fax: +382 20 664 016 - email: ddimovski@deloitte ce.com	www.deloitte.com/montenegro
KPMG DOO	Bulevar Svetog Petra Cetinjskog 1A, Podgorica	1015	Dejan Janković tel/fax: +382 20 201 480 - email: info@kpmg.me	www.kpmg.me
ERNST & YOUNG MONTENEGRO DOO	Stanka Dragojevića 15, Podgorica	1013	Valentina Nenezić tel/fax: +382 20 407 278 mob: +382 67 591 111	
PRICEWATERHO USECOOPERS DOO	Omladinskih brigada 88a 11000 Belgrade, Serbia		Tel.: + 381 (11) 3302 100	www.pwc.com/rs

Source Ministry of Finance of Montenegro, except for Pricewaterhousecoopers.

ANNEX 2.6(b)(iii)(1)

TRANSMISSION AGREEMENT TEMPLATE

CONTRACT
ON USAGE OF TRANSMISSION NETWORK

concluded between

_____ (hereinafter referred to as: Consumer), represented by
_____, Executive director

and

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD – CGES with headquarters in Podgorica, st. Bulevar Sv. Petra Cetinjskog no.18 (hereinafter referred to as: CGES), represented by Dragan Laketić, Executive director

or as a rule, hereinafter referred to by a separate name: Contractual party or by a joint name: Contractual parties

I GENERAL PROVISIONS

Article 1

- (1) The Contract on usage of transmission network (hereinafter referred to as: Contract) regulates conditions under which Consumer can use the transmission system for transmission of electric power and energy.

Article 2

- (1) By this Contract CGES, as provider of service of transmission network usage, and Consumer, regulate issues related to transmission of electric energy for needs of supply of electric energy to consumers in Montenegro registered with Consumer (hereinafter referred to as – consumption of Consumer), and related to that:
- service of transmission network usage,
 - maximum power and duration of the service,
 - list of metering locations for delivery of electric energy between CGES and Distribution Operator, then CGES and direct consumers connected to the transmission network,
 - price, manner of calculation and invoicing the service of transmission network usage,
 - conditions under which providing the service can be terminated,
 - conditions under which providing the service can be cancelled,
 - validity period of the contract.

II SERVICE OF TRANSMISSION NETWORK USAGE

Article 3

- (1) The service of usage of transmission network should provide transmission of electric energy within transmission network of the electric-energy system of Montenegro for needs of Consumer, according to conditions defined by:

- Codex of network
 - Contract on balance liability
- (2) The access of Consumer to cross-border transmission capacities is regulated by a special Contract on access to transmission network aimed at usage of cross-border transmission capacities.
- Article 4*
- (1) Prens is getting liable, with the aim to realize conditions from the Article 3 of this Contract, to provide to Consumer:
- disposability of transmission network in line with determined electric energy balance;
 - parameters of quality of transmitted electric energy in line with conditions prescribed by the Codex of network;
 - covering losses emerged in the transmission network due to transmission of electric energy for needs of Consumer;
 - balancing of inconsistencies of real capacity of Consumer' s consumption relative to applied capacity in line with the Contract on balance liability.

III MAXIMUM CAPACITY

Article 5

- (1) Consumer can use the transmission network for transmission of electric energy for needs of consumption with capacity which in any moment can not be higher than by the actual balance envisaged maximum capacity increased by safety margin of 10%.

IV LIST OF USERS OF SUPPLY SERVICE

Article 6

- (1) A list of users of supply service in the sense of this Contract corresponds to a list of consumers of electric energy whose supply is under User's responsibility.
- (2) User shall be liable during realization of this Contract to abide by the updated list of consumers.

V PRICE OF SERVICE

5.1. Price of usage of transmission network and price of compensation for losses

Article 7

- (1) The price of usage of transmission network and price of compensation for losses in the transmission network are defined in accordance with the Rulebook on tariffs for electric energy and valid Decision on determining table with prices for electric energy during the subject calculation period.

Article 8

- (1) A user shall be obliged to include the compensation from the article 7 of this Contract into the final invoice for spent electric energy to his consumers from the updated list of users.

5.2. Price of balancing

Article 9

- (1) Calculation of compensation on basis of balancing of Users shall be done in line with the Contract on balance liability.

VI MANNER OF CALCULATION, INVOICING AND PAYMENT OF SERVICE

Article 10

- (1) Calculation period shall start on the first day of month at 00⁰⁰, and shall be finished on the last day of month at 24⁰⁰.

Article 11

- (1) User shall submit to CGES, upon expiry of calculation period, and latest by the seventh working day of a month, a report on realization of delivery of electric energy to his consumers connected to distribution network per voltage levels and categories of consumers, agreed with Distribution operator.
- (2) CGES shall submit to User, based on a meter reading, a report on realization of delivery of electric energy to consumers connected to transmission network who are part of an updated list of users of transmission service from the article 6. of this Contract.
- (3) Contractual parties shall be liable to agree on the report from the paragraph (2) of this article not later than the third working day of the month for the previous month.
- (4) Official metering locations for delivery of electric energy between CGES and Distribution operator, then CGES and direct consumers connected to the transmission network are given in the Annex no. 1 of this Contract.

Article 12

- (1) CGES shall charge Consumer for the service of transmission network service (N_k) based on the following formula:

$$N_k = N_{k1} + N_{k2} \pm K_k$$

where is:

- a. N_{K1} – compensation for usage of transmission network for consumers for whom capacity is calculated:

$$N_{K1} = \sum_{n \in NN} \sum_{i \in KP} C_{K1ni} \times P_{Ini}$$

- b. N_{K2} - compensation for usage of transmission network for consumers for whom capacity is not calculated:

$$N_{K2} = \sum_{i \in KP1} C_{K2i} \times E_{fi}$$

- c. K_K – account balance of corrections done in the calculation month on basis of usage of transmission network
where is:

C_{K1ni} – price of usage of transmission network for consumers for whom capacity is measured at voltage level n for the category of consumers i , expressed in €/kW in line with the valid Decision on determining a table with prices of electric energy.

C_{K2i} – price of usage of the transmission network for consumers for whom capacity is not measured for category of consumers i , expressed in €/kWh in line with the valid Decision on determining a table with prices of electric energy in line with the valid Decision on determining a table with prices of electric energy.

P_{Ini} – sum of individual fifteen-minutes long peak loads of all consumers for whom capacity is measured from the category i at the voltage level n registered during calculation period, adjusted with Distribution operator, that is with Transmission

E_{fi} – total electric energy delivered during calculation period to the category of consumers i , adjusted with Distribution operator, that is with Prensos

KP1 – A list of categories of consumers at 0,4 kV voltage level for whom capacity is not measured
(Annex 3)

- (2) CGES shall calculate to User costs of transmission of electric energy (T_p) on basis of excesses in admitted losses in the distributive network based on the following formula:

$$T_p = \max(C_{Kg}(E_{gr} - E_{go}), 0)$$

E_{go} – total approved losses of electric energy in the distributive network for the duration of the calculation period, in line with the valid Decision on determining a table with prices of electric energy for calculation period, are given in the following table:

Month	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
GWh												

E_{gr} – total realized costs of electric energy in the distributive network for the duration of calculation period, are obtained based on the formula:

$$E_{gr} = \sum_{i \in Dis} E_{pi} - \sum_{n \in DNN} \sum_{i \in KP} E_{Ini}$$

E_{pi} – total electric energy delivered during a calculation period to an official metering locations i between CGES and Distribution operator, in accordance with Annex 1

E_{Ini} – total electric energy delivered during a calculation period to the category of consumers i , at the voltage level n , adjusted with Distribution operator.

Dis – A list of official metering locations for delivery of electric energy between CGES and Distribution operator

NN – A list of all voltage levels in the system (Annex 2)

DNN - A system of all voltage levels in the distribution network (Annex 2)

KP – A list of categories of consumers at the appropriate voltage level (Annex 2)

C_{Kg} – unit price of transmission of electric energy determined by a valid Decision on approval of regulatory allowed income of CGES.

Article 13

- (1) CGES shall calculate to User a compensation for losses in the transmission network (N_g) which is paid by consumers on basis of the following formula:

$$N_g = N_{g1} + N_{g2} \pm K_g$$

where is:

- a. N_{g1} – compensation for losses in the transmission network for one-tariff consumers

$$N_{g1} = \sum_{i \in KP} C_{g1i} \times E_i$$

- b. N_{g2} – compensation for losses in the transmission network for two-tariff consumers

$$N_{g2} = \sum_{n \in NN} \sum_{i \in KP} \sum_{t \in DP} C_{g2nit} \times E_{nit}$$

- c. K_g – account balance of corrections done in the calculation month on basis of losses in the transmission network

where is:

C_{g1i} – price of losses in the transmission network for one-tariff consumers for a category of consumers i , expressed in €/kWh in line with the valid Decision on determining a table with prices of electric energy.

C_{g2nit} – price of losses in the transmission network for two-tariff consumers at the voltage level n for the category of consumers i for daily period t , expressed in €/kWh in line with the valid Decision on determining a table with prices of electric energy.

E_i - total received electric energy during calculation period by one-tariff consumer of the category i , adjusted with Distribution operator, i.e. CGES

E_{nit} - electric energy taken during calculation period by two-tariff consumer of the category i , for voltage level n and for daily period t , adjusted with Distribution operator, i.e. CGES

Article 14

- (1) CGES shall calculate compensations from the articles 12 and 13 of this Contract within calculation period to User after expiry of monthly calculation period by the tenth working day in a month for the previous month.
- (2) User shall be liable to pay an invoiced amount by the twelfth day of the month for the previous month, or at the first working day after the twelfth day in case the twelfth day is unworking day.
- (3) All payments of Users - CGES determined by this Contract shall be settled in accordance with payment instruction from the invoice.
- (4) In case of delay in payment of the compensation from the paragraph 1. of this article, User shall be obliged to pay to CGES an interest of arrears in accordance with provisions of the Law on rate of interest of arrears (»Official Gazette of Montenegro » no.83/09).

VII CASES OF TERMINATING TO PROVIDE SERVICE

Article 15

- (1) Providing service of the transmission network usage can be terminated by CGES, without its responsibility, in the following cases:
 - In cases prescribed by the Law on energy,
 - upon an order of competent institutions.

Article 16

- (1) CGES shall have no liability towards User in case of interruption (in continuity not longer than 12h) of usage of the network without previous notice under certain circumstances such as:
 - prevention of threatening dangers for health and safety of people or devices,
 - technical damages in power plants or the transmission system and
 - other circumstances outside the control of CGES which are not the result of any deliberate activity or breach of the contract and are not the subject of planning.

Article 17

- (1) Providing service of usage of the transmission network can be terminated apart from the cases stated in the article 15 of this Contract also in cases when User does not perform his obligations related to payment of compensations determined by this Contract.

Article 18

- (1) If Contractual party finds out about a disturbance which will have impact on some or all of his obligations from the Contract, he shall immediately inform other Contractual party and submit a full and complete report on the event and reasons for which that event can prevent their compliance with the provisions of the Contract. A disturbance shall not mean exemption from

payment liabilities based on the provided service prior to occurrence of the event.

None of Contractual parties shall not overtake responsibility for any kind of expense or damage occurred due to disturbance in supply of electric energy appeared as a result of disturbances.

VIII FORCE MAJEURE

Article 19

- (1) Contractual parties shall be exempt from fulfillment of responsibility from the contract during force majeure.
- (2) Force majeure in the sense of this Contract implies unenvisioned natural occurrences which have character of natural hazards (floods, earthquakes, fires, atmospheric, strong winds, excessive ice, sea-frost and similar) as well as damages on devices and plants which had not occurred due to fault of Contractual parties.
- (3) Contractual party which cites effects of force majeure shall be obliged to submit a notice in written form to the other Contractual party citing character and beginning of effects of force majeure and providing credible proofs. In the same way it should be informed about termination of effects of force majeure.

Article 20

- (1) Contractual party shall not be responsible for failures in fulfillment of any of his contractual obligations if unfulfillment was caused by force majeure, during effects of force majeure and sensible period after completion of effects which is necessary to Contractual party to continue with fulfillment of contractual obligations.

Article 21

- (1) Contractual party which does not give notice to the other party within deadline given in the article 19, paragraph 3 of this Contract, has no right to cite force majeure as a reason of his unfulfilled contractual obligations.

IX COMPENSATION FOR UNFULFILLED CONDITIONS

Article 22

- (1) User shall have right on compensation for damage in case of interruption in transmission of electric energy in continuity longer than 12h for which notice was not given, and which is not exempt by the article 19 of this contract.

- (2) Amount and mode of payment of compensation from the paragraph (1) of this article is done in accordance with manner and procedure prescribed by a special methodology brought by User in line with the Contract on electric energy supply (type Contract between _____ and distribution consumers), approved by the Regulatory Agency for Energy. User shall have right on compensation from the paragraph (1) not more than by the level of costs occurred on basis of penalty provisions of the Contract on electric energy supply, appeared under conditions defined in the paragraph (1).

X FINAL PROVISIONS

Article 23

- (1) In case legal and other regulations, which make basis of this Contract, are changed during validity of this Contract, or in case of a new interpretation of the Decision on determining a table with prices for electric energy by RAE, Contractual parties shall adjust provisions of the contract to newly occurred conditions and changes.

Article 24

- (1) Possible disputes arising out of this Contract Contractual parties shall solve in peace.
(2) Otherwise, Commercial Court in Podgorica shall be in charge of that.

Article 25

- (1) This Contract shall be in force from 1.1.2010. to 31.12.2010.

Article 26

- (1) The Contract is made in 6 (six) identical copies of which 3 (three) copies are taken by User, and 3 (three) copies are taken by CGES.

In Podgorici, on day _____ .

For CGES

Dragan Laketić, grad.el.eng.

For

.....

Annex 1

Official locations of delivery of electric energy between Prenos and Distribution operator, then Prenos and direct consumers connected to the transmission network:

code	Metering location	Voltage level	Separation point	Configuration of metering device*
1	TS Pljevlja 1	35 kv	Prenos - Distribucija	223+224
2	TS Ribarevine	35 kv	Prenos - Distribucija	112+113
3	TS H.Novi	35 kv	Prenos - Distribucija	172+173
4	TS Tivat	35 kv	Prenos - Distribucija	321+322
5	TS Budva	35 kv	Prenos - Distribucija	151+152
6	TS Bar	35 kv	Prenos - Distribucija	341+342
7	TS Ulcinj	35 kv	Prenos - Distribucija	331+332
8	TS Cetinje	35 kv	Prenos - Distribucija	311+312
9	TS Danilovgrad	35 kv	Prenos - Distribucija	261
10	TS Berane	35 kv	Prenos - Distribucija	211+212
11	TS Mojkovac	35 kv	Prenos - Distribucija	141
12	TS Nikšić	35 kv	Prenos - Distribucija	182+183-189
13	TS Podgorica 3	10kv	Prenos - Distribucija	231+232
14	TS Podgorica 4	10 kv	Prenos - Distribucija	241+242
15	TS Andrijevica	35 kv	Prenos - Distribucija	161
16	TS Vilusi	35 kv	Prenos - Distribucija	251
17	KAP(TS Podgorica2)	110 kv	Prenos – Direct consumer	372+373
18	Steel company (TS Nikšić)	110 kv	Prenos – Direct consumer	184+185+189
				135+136+142+14
19	ŽICG (TS Podgorica 1, Trebjesica, Bar, Mojkovac)	25 kv	Prenos – Direct consumer	3+271+272+343+ 344

* - In the colone configuration of metering device a combination of metering devices is given which enables encompassing all extracts, that is records of complete energy delivered to a concrete consumer. Unique number of metering device corresponds to a code under which ti is registered in the system for automatic reading.

Annex 2

A list of voltage levels and categories of consumers per voltage levels in accordance with tables with prices for electric energy brought based on determined regulatory income, announced at the internet page of the Regulatory Agency for energy.

Voltage level	Category of consumers
110 kV	Direct consumer KAP
	Direct consumer ŽNK
	Direct consumer ŽCG
35 kV	Distribution consumers
10 kV	Distribution consumers
0.4 kV	Distribution consumers I level
	Distributive consumers II level with measuring of electric energy
	Distributive consumers II level
	Distributive consumers Households two-tariff metering
	Distributive consumers Households one-tariff metering
	Distributive consumers Public lightening two-tariff metering
	Distributive consumers Public lightening two-tariff metering

Annex 3

A list of categories of consumers at 0,4 kV voltage level for which capacity is not measured

Voltage level	Category of consumers
0,4 kV	Distributive consumers II level with metering of reactive electric energy
	Distributive consumers II level
	Distributive consumers Households two-tariff metering
	Distributive consumers Households two-tariff metering
	Distributive consumers Public lightening two-tariff metering
	Distributive consumers Public lightening two-tariff metering

Annex 4

List of authorized staff

Exchange and adjustment of reports on usage of transmission network

Prenos	EPCG
Ljubo Knežević Head of sector for development and exploitation of secondary systems Tel: 020 407 621 Fax: 020 225 962 e-mail: ljubo.knezevic@tso-epcg.com	Vladimir Kilibarda Referent for creation of schedules and electric-energy balance Tel: 040 204 287 Fax: 040 214 250 e-mail: data@snadbijevanje.co.me

Calculation and payment

Prenos	EPCG
Ljiljana Žugić Economist for analytics and calculations Tel: 020 407 619 Fax: 020 225 962 e-mail: ljiljana.zugic@tso-epcg.com	Milka Čavić Head of financial sector Tel: 040 204 149 Fax: 040 215 306 e-mail: finansije@snadbijevanje.co.me

Contracts implementation:

Prenos	EPCG-FC Snabdijevanje
Ranko Redžić Head of sector for operational management Tel: 020 407 607 Fax: 020 225 962 e-mail: ranko.redzic@tso-epcg.com	Sreten Gojković Director of FC Snabdijevanje Tel: 040 204 121 Fax: 040 214 169 e-mail: kabinet@snadbijevanje.co.me

ANNEX 2.6(b)(iii)(3)

TRADER'S AGREEMENT TEMPLATE

CONTRACT ON RIGHT TO ACCESS TRANSMISSION NETWORK

aimed at usage of cross-border transmission capacity

for period xxxxxxxxxxxx

BETWEEN

Crnogorski elektroprenosni sistem AD

and

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

Article 1.

By this Contract „Crnogorski elektroprenosni sistem AD“ (hereinafter referred to as CGES) and _____ (hereinafter referred to as Consumer) regulate Consumer’s right to access the transmission network with the aim to use cross—border transmission capacity, acquired through the allocation procedure (auction) organized by CGES.

Article 2.

CGES shall allow Consumer to have access to the transmission network with the aim of using cross—border transmission capacity in the following way:

TABLE

Border:

Direction:

Validity period:

Diagram:

Price of allocated transmission capacity:

Code of allocated transmission capacity (CBCcID):

Article 3.

CGES shall keep the right to reduce or suspend the right on cross-border transmission from the previous article in case of contingency occurred in electric energy system. If this happens, Consumer shall be given back all resources from allocation of transmission capacity which arise from introduced constraints.

CGES shall not be held liable for damage occurred due to reduction or break of the approved transmission of electric energy implemented due to contingency.

Article 4.

CGES shall calculate the service and submit to Consumer a corresponding invoice in line with „Rules for allocation of disposable transmission capacities“.

Payments shall be made by Consumers of CGES to the giro account given in the invoice.

Article 5.

Consumer shall be obliged to pay the invoiced amount not later than 5 days from the day the invoice from the previous article is submitted.

If Consumer does not settle the payment liability in accordance with the previous paragraph, CGES shall charge interest in arrears.

Rate of interest in arrears shall be 6% on annual basis, calculated on basis of the comfort method.

In case Consumer does not settle payment liabilities from this article, CGES shall keep the right to terminate the right of Consumer on allocated capacity as well as to forbid Consumer to participate in future auctions.

Article 6.

Consumer shall be liable to submit for all payments a specification of liabilities that are being settled in accordance with the maturity date of the invoice, and if he does not submit that, he shall agree that CGES can make a specification in accordance with maturity dates of liabilities.

Article 7.

Contractual parties shall be liable to fully abide by the „Rules for allocation of disposable transmission capacities on interconnection lines of the control area of Montenegro with neighbouring control areas for 2010“.

Article 8.

All potential disputes arising out of this Contract Contractual parties shall solve in peace.

If such a dispute can not be solved in peace, the competent Commercial Court in Podgorica shall be in charge.

Date:

Place: _____

Signature: _____ Consumer

Seal: _____

Signature: CGES AD

Seal: _____

ANNEX 2.6 (b)(iii)(6)

PENDING PERMITTED TRANSACTIONS

1. Loan agreements with EIB

EIB and Elektroprivreda Crne Gore AD Niksic originally entered into the loan agreement better described below:

- A. Name of the contract: Power Sector Reconstruction – B Finance Contract between European Investment Bank and Elektroprivreda Crne Gore A.D. Niksic;
- B. Contract reference numbers: FI no. 24.597 (ME) - SERAPIS no. 2001-0558;
- C. Date of subscription: 30/09/2008
- D. Contract description / Project involved: construction of a 110 kv facility TS110/35/10 kV KOTOR (Škaljari), construction of Transmission line 110kV Tivat - Kotor (Škaljari) and transmission rehabilitation;
- E. Amount involved: EUR 2, 976, 910.00;
- F. Collateral if any: unconditionally guarantee released by the Government of Montenegro.

Following and pursuant to the unbundling and spin-off of Prenos (now CGES), a portion equal to EUR 2,500,000.00 loan was to be transferred to Prenos and the residual amount of 476,910.00 loan was to be transferred to EPCG for reconstruction activities of the hydro power plant of Perucica;

EPCG and CGES are currently discussing between them and with EIB the terms and conditions for the formalization of an agreement regulating one of the following options: (i) the transfer of the abovementioned portions of the loan directly to CGES and EPCG or (ii) the transfer of the entire loan to CGES (this agreement being the “Permitted Transaction”).

It is agreed that (i) the obligations that CGES may assume under such loan and agreement (vis-à-vis EIB and/or EPCG) will not be less favorable to CGES than those currently applying to EPCG, (ii) CGES will not be required to provide any collateral or other credit or financial support, and (iii) CGES will not be responsible or liable vis-à-vis EIB and any third party for possible breaches, or penalties due, by EPCG.

Urban construction land in Podgorica

- G. Name of the contract: (1) Agreement on transfer of title on to the city construction land for the purpose of developing a residential and office building; (2) Agreement on

transferring the “Agreement on transfer of title on to the city construction land for the purpose of developing a residential and office building”;

- H. Contract reference numbers: 10-00-7788 and 10-00-16234;
- I. Date of subscription: 24/06/2008 for agreement number 10-00-7788 and 30/12/2009 for agreement number 10-00-16234;
- J. Amount involved: the parties involved agreed on the portion of the facility to be allocated rather than on a specific amount of money;
- K. Collateral if any: Atlasmont Bank acts as guarantor of the constructor.

Pursuant to the Agreement on transfer of title on the city construction land for the purpose of developing a residential and office building, number 10-00-7788 of 24.06.2008 signed between EPCG and “Radenko” Ltd. (the “Radenko Agreement”), this latter company is entitled to own 71.8% of the surface of the newly built facility.

Pursuant to a subsequent agreement, number 10-00-16234 of 30.12.2009, “Radenko” Ltd. assigned to RR Gradnja Ltd. the Radenko Agreement. Such new agreement it is signed between “Radenko” Ltd. and RR Gradnja Ltd. and EPCG and CGES have consented to the assignment

EPCG and CGES are finalizing an agreement that will deal with: (i) split of the ownership of the remaining portion of new constructed facility in the following ratio: 75% to CGES and 25% to EPCG and (ii) decision over the selling of part of the mentioned facility in order to get housing funds for employees (this agreement being the “Permitted Transaction”)

ANNEX 3.2

USE OF PROCEEDS

The Company will use the proceeds deriving from the capital increase fully subscribed by TERNA under the Sale and Purchase Agreement exclusively for the development and construction of the Associated Network Infrastructures listed below:

1) Tivat/Kotor 400 kV Substation:

the new AC 400 kV Tivat/Kotor substation including the 400 kV bus bars and bays, necessary for the connection of the new Tivat/Kotor Substation to the Montenegro AC/DC Station, to the Montenegrin existing electricity transmission grid and to the existing 400 kV Pljevlja substation;

2) 400 kV Infrastructure connecting 400 kV Tivat/Kotor Substation:

the 400kV transmission lines connecting the new Tivat/Kotor Substation to the existing Montenegrin electricity transmission grid and the AC transmission infrastructures (lines or cables) connecting the new Tivat/Kotor Substation to the Montenegrin AC/DC Station;

3) Overhead transmission 400 kV line Pljevlja –Tivat/Kotor:

the new 400 kV transmission line between the existing 400 kV Pljevlja substation and the new Tivat/Kotor Substation, internal to the electricity transmission network of Montenegro.

The current estimation for the period 2010 – 2015 of the capital expenditures detailed above, is the following:

Amount in Euro million

	Investment item	Cumulative	2010	2011	2012	2013	2014	2015
1	400 kV Infrastructure connecting 400 kV Tivat/Kotor substation	23,87	1,00	5,00	15,00	2,87	-	-
2	Tivat/Kotor 400 kV Substation	10,28	-	1,00	2,00	6,00	1,28	-
3	Overhead transmission 400 kV line Pljevlja –Tivat/Kotor	66,13	-	4,80	8,67	11,67	17,67	23,32
TOTAL		100,28	1,00	10,80	25,67	20,54	18,95	23,32

The amounts will be updated and amended from time to time in accordance with the new releases of the Business Plan.

ANNEX 3.2-bis
INVESTMENTS GUIDELINES

This document defines the guidelines to manage the liquidity arising from the capital increase as specified in the SPA. The cash management must be done in order to preserve the nominal value of the investment and to minimize counterparties credit risk and liquidity risk. The instruments must have the characteristics of high liquidity and easy pricing.

Permitted instrument

Banking Account, Time deposit, Certificate of Deposit, Notes and Puttable Notes

Maturity

Maturity and amount of the investment must be consistent with the outflows related to the capex plan as specified in Annex 3.2 "Use of Proceeds"

Counterparty

A process of selection of counterparties is required. The counterparties will be selected, among financial institutions registered in Montenegro, in order to have an adequate risk profile, considering also the possibility of a minimum investment grade credit rating.

The selection of counterparties must take into account the relationships with banking institutions as a whole and must be supported by an adequate exchange of documents.

Price Transparency

For each transaction, the counterparty must be selected through competitive bidding involving at least two (2) financial institutions. The tender process must be supported by an adequate exchange of written documents.

ANNEX 4.3(i)

PERMITTED TRANSFEREE CERTIFICATE

[on the Permitted Transferee's letterhead]

To: The Government of Montenegro

[•]

Attention: [•]

Facsimile: [•]

CC: Crnogorski elektroprenosni sistem AD
Bulevar Svetog Petra Cetinjskog 18

81000 Podgorica
Montenegro

Attention: [•]

Facsimile: [•]

[place], [date]

Re: Permitted Transferee Certificate

Dear Sirs:

We make reference to the strategic and shareholders' agreement entered into as of [•], 2010 (the "Strategic and Shareholders' Agreement") by and among the State of Montenegro (the "Principal Shareholder"), Terna Rete Elettrica Nazionale S.p.A., a joint stock company organized and existing under the laws of Italy ("Terna"), and Crnogorski elektroprenosni sistem AD, Podgorica, a joint stock company organized and existing under the laws of Montenegro (the "Company"). Unless otherwise indicated herein, capitalized terms used herein shall have the meaning ascribed to them in the Strategic and Shareholders' Agreement.

Under Section 4.3 of the Strategic and Shareholders' Agreement, Terna shall have the right at any time to freely Transfer all (but not part) of its Shares to a Permitted Transferee provided that Terna, among others, submits to the Principal Shareholder a certificate issued by the Permitted Transferee substantially

in the form provided in Annex 4.3(i) to the Strategic and Shareholders' Agreement.

In accordance with Section 4.3(i) of the Strategic and Shareholders' Agreement, we, as Permitted Transferee, hereby confirm without exception to be bound by the terms and conditions of the Strategic and Shareholders' Agreement and be subject to the same obligations as Terna thereunder.

Finally, we acknowledge that we shall be deemed to be a single party with Terna for the purpose of the Strategic and Shareholders' Agreement (including with respect to Section 2.1(b) thereof) and shall have, and be bound by, the rights and obligations assigned to Terna thereunder.

Any notices under the Strategic and Shareholders' Agreement should be addressed to the Permitted Transferee as follows:

[Name / Company]

[Address]

Attention: [•]

Facsimile: [•]

E-mail: [•]

Copy to:

[•]

Yours sincerely,

Name:

Title:

ANNEX 4.3(ii)

TERNA CERTIFICATE

[on Terna's letterhead]

To: The Government of Montenegro

[•]

Attention: [•]

Facsimile: [•]

CC: Crnogorski elektroprenosni sistem AD
Bulevar Svetog Petra Cetinjskog 18

81000 Podgorica
Montenegro

Attention: Zoran Djukanović

Facsimile: +382 20 407 665

[place], [date]

Re: Terna Certificate

Dear Sirs:

We make reference to the strategic and shareholders' agreement entered into as of [•], 2010 (the "Strategic and Shareholders' Agreement") by and among the State of Montenegro (the "Principal Shareholder"), Terna Rete Elettrica Nazionale S.p.A., a joint stock company organized and existing under the laws of Italy ("Terna"), and Crnogorski elektroprenosni sistem AD, Podgorica, a joint stock company organized and existing under the laws of Montenegro (the "Company"). Unless otherwise indicated herein, capitalized terms used herein shall have the meaning ascribed to them in the Strategic and Shareholders' Agreement.

Under Section 4.3 of the Strategic and Shareholders' Agreement, Terna shall have the right at any time to freely Transfer all (but not part) of its Shares to a Permitted Transferee provided that Terna, among others, submits to the Principal Shareholder a certificate issued by Terna substantially in the form provided in Annex 4.3(ii) to the Strategic and Shareholders' Agreement.

In accordance with Section 4.3(ii) of the Strategic and Shareholders' Agreement, we hereby confirm that Terna shall remain jointly and severally liable with [name of the Permitted Transferee] with respect to the performance by the latter of its obligations under the Strategic and Shareholders' Agreement.

Yours sincerely,

Name:

Title:

ANNEX 10.2

NOTICE INFORMATION

If to the Principal Shareholder:

The Government of Montenegro
Attention: Deputy Minister for Economy
Ministry of Economy
Rimski trg 46, Podgorica, Montenegro

Phone: +382 20 482 163
Facsimile: + 382 20 234 027

If to Terna:

TERNA Rete Elettrica Nazionale S.p.A.
Viale Egidio Galbani, 70
00156 Roma
Italia
Attention: Avv. Filomena Passeggio

Facsimile: +39 06 8313 8218
E-mail: filomena.passeggio@terna.it

with a copy to (which shall not constitute notice):

Cleary Gottlieb Steen & Hamilton LLP
Via San Paolo, 7
20121 Milano
Italia
Attention: Avv. Matteo Montanaro

Facsimile: +39 02 8698 4440
E-mail: mmontanaro@cgsh.com;

If to the Company:

Crnogorski Elektroprenosni Sistem AD
Bulevar Svetog Petra Cetinjskog 18
81000 Podgorica
Montenegro
Attention: Aleksandar Mijušković

Facsimile: +382 20 241 616
E-mail: aleksandar.mijuskovic@cges.me

EXHIBIT 1

BY-LAWS

Please see Schedule 3.1.1 to the “Agreement on sale and purchase through subscription of newly issued shares in capital increase”

EXHIBIT 2

INITIAL BUSINESS PLAN

Please see Exhibit 5 of the “Agreement on sale and purchase through subscription of newly issued shares in capital increase”

[OMISSIS]

[OMISSIS]

EXHIBIT 3

MINIMUM REGULATORY REQUIREMENTS

Evolution of the Regulatory Framework in Montenegro for electricity transmission and system operation activities: general guidelines in line with EU best practices

1. Regulated Asset Base (RAB) definition

1.1. Setting for 2011

Considering the perimeter of assets in operation in 2009 (including investments in progress and working capital), the initial RAB value to be used for setting 2011 transmission tariff will be assessed based on the new Energy Law (Official Gazette 28/2010, hereinafter referred to as the Law) Article 38 paragraph 1, Article 194 paragraphs 3, 4 and 5, and it is regulated by Interim Methodology for Regulated Revenue and Prices for Transmission System Use to be applied in 2011.

It is assessed that the initial RAB value will not be however lower than 131 M€, value expected by applying the formerly adopted methodology considering the assets value reported in Prensos 2009 balance sheet.

1.2. Setting for 2012 and beyond

The text below in this Annex is related to 2012 and beyond, and its relevant provisions will be incorporated in the permanent methodology to be passed by the Energy Regulatory Agency in 2011 in line with Art. 38 paragraph 1, Art. 53 paragraph 1 and Art. 194 paragraph 2 of the Law.

Considering the fact that the permanent methodology will envisage a multi-year regulatory period, the RAB value will be adjusted on a yearly basis in order to take into account inflation and the new investments. Application of RAB indexation and depreciation by including the index »Deflator for Investments« in future will be the subject of reviewing relevant provisions of the regulatory framework.

Taking into account that the most recent assessment of CGES asset value was made under the assessment of assets of Elektroprivreda Crne Gore AD as of 31 December 2003, and Energy Law (Article 44), envisages that regulatory assets value is to be adjusted through establishing the structure and value of assets by an energy entity within the periods not exceeding 5 years, CGES will complete a new assessment of asset value within the shortest period possible, and no later than the first half 2011.

The value of assets coming from this assessment will be used as a basis for the yearly update of the RAB. The yearly update of the RAB will be calculated through the following formula:

$$\mathbf{RAB}_{\text{year } t} = \mathbf{TOS}_{\text{NET year } t-1} - \mathbf{KD}_{\text{year } t-2} + \mathbf{IT}_{\text{year } t-2} + \mathbf{RK}_{\text{year } t-1} + \mathbf{Inflation}_{\text{year } t-1}$$

where:

RAB_{year t} - regulated asset base (€) for the year t

Inflation_{year t-1} = RAB (year t-1) * Deflator_{t-1} for Investments

TOS_{NET year t-1} - RAB for the year t (t-1) in (€). For the first period of the regulatory period (2012), **TOS**_{NET year t-1}, is the value of assets coming from the abovementioned CGES assessment.

KD_{year t-1} - capital contribution in the previous year (t-1) (grants, donations, assets paid by consumers) (€)

IT_{year t-1} - value of investments at the end of year (t-1) (€), having subtracted Depreciation_{year t-1} (as referred in section 3) and asset Divestments_{year t-1}

RK_{year t-1} - working capital in the amount of 1/12 approved operating costs in the year (t-1) (€)

It is understood that, in case the index “Deflator for Investments” as above indicated is not available for Montenegro, the “Deflator for Investments” will be as equal to the consumer price inflation rate officially published by the national Institute for Statistics of Montenegro.

Regulatory value of fixed assets does not include:

- assets not related to licensed activities, assets of social standard, non-used assets, written-off assets;
- assets that are not fully depreciated, which will be withdrawn in the year for which regulatory revenue and price are established.

OR

1.2 Setting for 2012 and beyond

Considering the perimeter of assets in operation in 2009 (including work in progress), the initial RAB value to be used for setting 2011 transmission tariff will be not lower than 131 mln euros.

This RAB value is assessed by considering the assets value reported in Prenos’ 2009 balance sheet including the 2009 work in progress.

Starting from the transmission tariffs to be set for 2012, the abovementioned RAB value will be annually adjusted in order to take into account net investments and inflation. Therefore, the RAB will be updated every year through the following formula:

$$\mathbf{RAB}_{\text{tariff year } t+1} = \mathbf{RAB}_{\text{tariff year } t} + \mathbf{Net\ investments}_{t-1} + \mathbf{Inflation}_{t-1}$$

Where:

- RAB (tariff year t) = the regulated asset base used for setting the transmission tariff of the year t
- Inflation_{t-1} = RAB (tariff year t) * Deflator_{t-1} for Investments
- Net Investments_{t-1} = Investments_{t-1} (entered into operation and work in progress) – Depreciation_{t-1} – Divestments/disposals_{t-1}

It is understood that, in case the index “Deflator for Investments” as above indicated is not available for Montenegro, the “Deflator for Investments” will be as equal to the consumer price inflation rate officially published by the national Institute for Statistics of Montenegro (in this case it will coincide with inflation index to be used for the calculation of the WACC real pre-tax).

2. Remuneration of the RAB

In order to match EU best practice, future regulation will define a rate for RAB remuneration for each regulatory period, based on a real pre-tax WACC, calculated on the basis of the economic and financial market conditions in Montenegro and in line with the most accepted international economic practices, through the following formula:

$$\left[1 + \left(\frac{K_e}{(1-T)} \cdot \frac{E}{(E+D)} + K_d \cdot \frac{(1-t_c)}{(1-T)} \cdot \frac{D}{(E+D)} \right) \right]_{-1} \\ 1 + rpi$$

where:

K_e = cost of equity

E = value of equity

D = value of borrowed capital (debt)

K_d = cost of debt

t_c = tax rate on interests

T = tax rate on gross return

rpi = Montenegrin inflation rate (consumer price index, the same used for the RAB revaluation)

The share of equity and share of debt will be taken into account as the ratio 50:50.

The cost of equity (K_e) shall be estimated in accordance with the Capital Asset Pricing Model (CAPM):

$$K_e = r_f + \beta \times MRP$$

where:

- r_f : Montenegrin risk free rate;
- MRP: market risk premium that is the premium required by the investors to buy activities with a level of risk equal to the average market risk;
- β : systematic risk of the activity/asset/security which measures the part of the asset's statistical variance that cannot be mitigated by the diversification provided by the portfolio of many risky assets.

Such variables will be evaluated in accordance with the Montenegrin market values and with the specific industry related risks. The RAB remuneration as defined above shall apply to the assets of the TSO in operation as the base rate of remuneration to the entire asset base (RAB as defined above), to the works in progress, the inventory and the investments approved and listed in the approved CAPEX Plan of CGES. Therefore, the value of the WACC as base rate of return shall be assessed and calculated according to the market conditions.

In particular, in order to increase the actual rate of return, the base rate WACC real pre-tax will be progressively brought to a value in line with the market conditions.

This gradual increase of RAB remuneration shall envisage, in any case, at least 5,9% and 6,8% as a return on equity, respectively for the 2011 and 2012 tariffs. Financial expenses will be recognized as opex like at the time being, until the WACC reflects market conditions.

With reference to the tariffs starting from 2013 onward, the RAB remuneration will be further increased considering a market based WACC value as a target. Each increase of RAB remuneration exceeding 6.8% will be applied also considering the effects of total Investment of New Interconnection, Associated Network Infrastructure and Additional Network Infrastructure generated in the year preceding the year of tariff setting.

The abovementioned scaling of RAB remuneration will allow to smoothen the impact of investments on transmission tariffs. An additional positive impact on tariffs could derive from the expected increase of the revenues from transmission capacity allocation on Montenegrin borders and the EU Inter-TSO Compensation (ITC) mechanism.

3. Depreciation

For the first year of the regulatory period (2012), the depreciation for approving regulated allowed revenue will be established based on the latest assessment (assessment referred to in item 1 of this ANNEX) of the value of fixed assets in use for renewal of licensed activities (not including land or investments in progress), their remaining life span and application of proportional method. Life span of fixed asset is established based on technical and economic life span of various groups of fixed assets as proposed by request submitter, upon the approval of the Agency. Life span of fixed assets currently effective, whose application must be approved in future by the Agency, is given by groups of assets as of the signing date of this ANNEX as follows: (1) buildings - 80 years, (2) transformers - 20 years, (3) sub-stations /equipment/ - 36 years, (4) power lines - 50 years.

For the following years, the depreciation will be updated on the basis of inflation, and new investments in order to be aligned with the RAB calculated as above.

4. Regulatory Period

The current mechanism entails allowed costs which reflect yearly actual costs (i.e. the level of remuneration for the investments, depreciation and operating costs). Such mechanism does not grant the regulatory stability required for proper planning of mid to long-term investments. Additionally, a regulatory period of one year does not provide any incentive for efficiency gains and cost predictability. In order to match EU best practices, future regulation will set a regulatory period of at least three years, which will allow the application of an efficiency incentive mechanism (please refer to next chapter for further implications of extension of the regulatory period).

5. Regulated Allowed Revenue

Methodology for setting prices for use of transmission network to be applied from 2012 for multi-year regulatory period, will include efficiency incentive mechanism taking into account the effect of inflation on the OPEX part of the regulated revenue approved to CGES..

Such mechanism will enable the establishing of a stable and predictable system of cost adjustment related to new investments, growth in operations and improvement of security and quality supply.

Allowed operating costs not directly under Prenos control (e.g. ITC, losses) should be recognised as pass-through. The Agency will take into account the costs that cannot be directly controlled in the generated amount, while encouraging the entity to reduce the costs that are under CGES control to the maximum extent possible..

The recalculation of the OPEX that are directly controlled by CGES during a multi-year regulatory period reflects the effect of inflation in combination with effect of improvement of efficiency.

For the first year of the regulatory period, the recognised operating costs will be set as the sum of actual operating costs of a reference year plus 50% of the extra efficiencies (the difference between the allowed OPEX and the actual OPEX of the reference year).

In the following years, the Opex will be updated through the following formula:

$$P_{KR(t+1)} = P_{KRt} \times (1 + X_i - X_{U\check{C}})$$

where:

$P_{KR(t+1)}$ -regulated allowed OPEX covered by the tariff of the year t+1;

P_{KRt} - regulated allowed OPEX covered by the tariff of the year t;

X_i - inflation factor for the period of one year immediately prior to submission of the request, published by the state statistical institute;

$X_{U\check{C}}$ -performance improvement factor approved by the Agency after a thorough analysis of all circumstances related to the performance of the license holder taking into account the margin for efficiency improvement, i.e. performance improvement factor proposed by the license holder in the request.

6. Ancillary services, balancing costs and transmission losses

Future regulation shall define, starting from January 1st, 2011, the full recovery in tariff of any dispatching, ancillary services and transmission losses costs yearly incurred by the Company without any recovery time-lag and be properly reflected in a contract to be signed between CGES and relevant generation companies. Furthermore, for the period up to December 31st, 2010, it is confirmed that no consideration shall be given by CGES with respect to the ancillary services provided by EPCG.

7. Remuneration scheme

Future regulation shall define a symmetric mitigation mechanism of the volume effect (in case of unforeseen changes of electricity demand) and of the price/volume effect in the calculation of the allowed losses.

The introduction of a symmetric mitigation mechanism of the volume effect is necessary considering that in the definition of the unitary tariff starting from the allowed revenues, the Regulator uses the energy consumption, forecast or actual historical value. Consequently, in case of unforeseen changes of electricity demand, the unitary tariff could be not sufficient to recover the allowed costs. The symmetric mitigation mechanism could be necessary also in the definition of the allowed losses for the price/volume effect.

8. Capacity allocation and congestion revenues management

Future regulation shall define clear rules for capacity allocation and congestion management in line with the EU regulation (EC Regulations 1228/03-714/09), which even requires that:

- network congestion problems are addressed with non-discriminatory market-based solutions which give efficient economic signals to the market participants and transmission system operators involved;
- the congestion revenues are used for guaranteeing the actual availability of the allocated capacity; and/or maintaining or increasing interconnection capacities through network investments and/or relieving end-users transmission tariffs

For the above mentioned reason and based on the expected increase of the revenues from transmission capacity allocation on Montenegrin borders and the EU Inter-TSO Compensation (ITC) mechanism, it is also likely that this effect will ease impacts of the future regulation on transmission tariffs.

EXHIBIT 5

PUT EVENT

- (a) Put Event means any of the following events:
- (i) a material breach of this Agreement by the Principal Shareholder that, if the breach is capable of being cured, is not remedied or cured by the Principal Shareholder to the reasonable satisfaction of Terna within 30 Business Days of the delivery by Terna of the breach notice. The Parties irrevocably agree that a breach of any of the provisions set forth under Sections 2.1 (a), (g), (h) and (i), 2.2(g), 2.3(b)(i) and (ii)(1), provided that in case of item (ii)(1) there are continued and serious violations of such Section 2.3(b)(ii)(1), (d) and (g), 2.5(d) and (e), 2.6(a), (d) and (e), 2.7(b)(ii) and (e), 3.2 (except with respect to the use and management of the last Euro 100,000 remaining on CGES' Segregated Account after the rest of the proceeds deposited on such account have been spent in accordance with Section 3.2) and Article IV shall be deemed a "material breach" for the purposes of this Exhibit and Agreement.
 - (ii) the inaccuracy or breach of any of the representations and warranties set forth in Sections 5.1.1 – 5.1.5, 5.1.14, 5.2.1 and 5.2.2 of the Sale and Purchase Agreement or of any other obligation or covenant (including indemnity obligation) of the Company or the Principal Shareholder under the Sale and Purchase Agreement if, and only if, any such inaccuracy or breach, individually or in the aggregate, have caused or could reasonably be expected to cause Losses (as defined in the Sale and Purchase Agreement) indemnifiable to Terna pursuant to the Sale and Purchase Agreement exceeding Euro 7,000,000 (seven million), provided that, if the breach or inaccuracy is capable of being cured, is not remedied or cured by the Principal Shareholder and/or the Company within 30 Business Days of the delivery by Terna of the breach notice;
 - (iii) the termination of the Project Coordination Agreement by Terna pursuant to Section 5.2(b) of the Project Coordination Agreement.
 - (iv) [OMISSIS]
 - (v) the occurrence of a Deadlock.
 - (vi) the Principal Shareholder owning Shares and voting rights representing in the aggregate less than 51% of the share capital and voting rights in the Company.
 - (vii) in the event an Additional Network Infrastructure(s) is/are developed by the Company as public infrastructure (and not as "private interconnector" in accordance with Electricity Regulations 714/2009 and 1228/2003) and: (1) a TSO Binding Agreement (as such term is defined in the Project Coordination Agreement) is executed by the TSO Binding Agreement Deadline (as such term is defined in the Project Coordination Agreement), if at least one of the Additional Network Infrastructures has not been constructed and commissioned as set forth in Annex 2.5 of the Project Coordination Agreement within 18 months of the Additional NI Commissioning Deadline (as such term is defined in the Project Coordination Agreement and as such deadline may be possibly suspended and postponed pursuant to the provisions of the Project Coordination Agreement); or (2) a TSO

Binding Agreement is not executed by the TSO Binding Agreement Deadline, if at least one of the Additional Network Infrastructures has not been constructed and commissioned as set forth in Annex 2.5 of the Project Coordination Agreement within 51 months of the execution of a TSO Binding Agreement, if any, (as possibly suspended and postponed pursuant to the provisions of the Project Coordination Agreement), in both cases (1) and (2) for any reason directly caused by the Company or by the Principal Shareholder.

(viii) the termination of the Project Coordination Agreement pursuant to Section 5.3(a)(ii) if the TSO Binding Agreement (as defined in the Project Coordination Agreement) has not been executed within the TSO Binding Agreement Final Deadline (as defined in the Project Coordination Agreement) for any reason directly caused by the Company or by the Principal Shareholder.

(b) The Parties acknowledge that pursuant to Section 5.1(a) Terna may exercise the Terna Put Option only once at any time subsequent to the occurrence of a Put Event within 4 months of the date when Terna shall have acquired full knowledge of the occurrence of a Put Event. Furthermore, the Parties agree that Terna shall be entitled to exercise the Terna Put Option based on (1) the Put Event under paragraph (a)(iii), only before the actual commissioning of all the Associated Network Infrastructures or the Additional Network Infrastructures, as the case may be, (as commissioning is specified in the Project Coordination Agreement), and (2) the Put Event under paragraphs (a)(iv) or (a)(vi), only before the earlier of (i) the fifth anniversary of the New System Effective Date and (ii) the Special Rights Expiry Date set forth in items (III) and (IV) of Section 2.1(b).

(c) Any notice of the breach, inaccuracy or failure pursuant to items (i), (ii) and (iv) of paragraph (a) above shall include in such notice the indication of how the breach, inaccuracy or failure should be cured (if the breach is capable of being cured). The Shareholders agree that any remedy by the Principal Shareholder of a breach, inaccuracy or failure specified in any such notice shall be at the Principal Shareholder's own and sole costs and expenses and in no circumstance shall the Principal Shareholder be entitled to make any claim for reimbursement of costs from the Company or Terna.